



Warren Village, Inc.

Audited Financial Statements

As of and For the Year Ended March 31, 2016



www.whipplewoodcpas.com

11852 Shaffer Drive, Bldg B
Littleton, CO 80127
P: 303-989-7600
F: 303-989-5810

WARREN VILLAGE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
MARCH, 31, 2016

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Warren Village, Inc., which comprise the statement of financial position as of March 31, 2016, and the related statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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, 2016, 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.

Report on Summarized Financial Information as of and For the Year Ended March 31, 2015

The summarized financial statements of Warren Village, Inc. as of and for the year ended March 31, 2015 are presented for comparative purposes only, and were extracted from financial statements on which we expressed an unmodified opinion dated September 3, 2015. In our opinion, the summarized financial information as of and for the year ended March 31, 2015 presented herein is consistent, in all material respects, with the audited financial statements from which it was derived.

Whipplewood CPAs, PC

July 25, 2016

Warren Village, Inc.
Statement of Financial Position

	<u>As of March 31, 2016</u>	<u>Summarized Financial Information As of March 31, 2015</u>
ASSETS		
Current assets		
Unrestricted cash and equivalents	\$ 1,268,826	\$ 1,114,535
Restricted cash	441,957	457,567
Accounts receivable, net	139,852	136,268
Grants receivable	45,195	24,880
Prepaid expenses and other assets	92,385	34,272
Total current assets	1,988,215	1,767,522
Restricted cash - tenant security deposits	23,848	21,057
Investments	2,043,869	2,134,259
Property and equipment, net	4,328,139	4,482,953
Escrow deposits	360,614	352,354
	\$ 8,744,685	\$ 8,758,145
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accrued liabilities	\$ 142,752	\$ 236,756
Accrued payroll costs	201,364	175,343
Total current liabilities	344,116	412,099
Long-term liabilities		
Notes payable, net of current portion	300,000	300,000
Accrued management fees	28,815	44,494
Total long-term liabilities	328,815	344,494
Total liabilities	672,931	756,593
Net Assets		
Unrestricted		
Designated by Board of Trustees		
Waddell fund	104,846	114,375
Operating reserves	465,805	502,061
Investment in property and equipment, net of related debt	4,328,139	4,482,953
Undesignated	3,012,698	2,662,525
Total unrestricted net assets	7,911,488	7,761,914
Temporarily restricted	12,820	70,162
Permanently restricted	147,446	169,476
Total net assets	8,071,754	8,001,552
	\$ 8,744,685	\$ 8,758,145

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

Warren Village, Inc.
Statement of Activities

	For the Year Ended March 31, 2016				Summarized Financial Information Year Ended March 31, 2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support, revenues and gains					
Gifts and grants	\$ 1,757,734	\$ 12,000	\$ -	\$ 1,769,734	\$ 1,616,955
Program service revenue					
Housing	1,078,822	-	-	1,078,822	1,069,447
Learning center	1,209,517	-	-	1,209,517	1,152,274
In-kind contributions	188,990	-	-	188,990	293,484
Special events net of direct costs of of \$70,900 and \$53,086	226,858	-	-	226,858	182,698
	<u>4,461,921</u>	<u>12,000</u>	<u>-</u>	<u>4,473,921</u>	<u>4,314,858</u>
Net assets released from restrictions	69,342	(69,342)	-	-	-
Total support, revenues and gains	<u>4,531,263</u>	<u>(57,342)</u>	<u>-</u>	<u>4,473,921</u>	<u>4,314,858</u>
Expenses					
Program services					
Housing	898,314	-	-	898,314	920,535
Learning center	1,533,585	-	-	1,533,585	1,530,135
Family services	582,837	-	-	582,837	625,883
First step	176,126	-	-	176,126	174,688
Volunteers	81,154	-	-	81,154	83,938
Without Walls, Friends & Alumni	41,105	-	-	41,105	67,032
Total program services	<u>3,313,121</u>	<u>-</u>	<u>-</u>	<u>3,313,121</u>	<u>3,402,211</u>
Supporting services					
Management and general	296,718	-	-	296,718	251,197
Communications	78,678	-	-	78,678	85,879
Development	392,611	-	-	392,611	375,558
Total supporting services	<u>768,007</u>	<u>-</u>	<u>-</u>	<u>768,007</u>	<u>712,634</u>
Total expenses	<u>4,081,128</u>	<u>-</u>	<u>-</u>	<u>4,081,128</u>	<u>4,114,845</u>
Change in net assets before depreciation and amortization, and investment gains	450,135	(57,342)	-	392,793	200,013
Depreciation and amortization	(241,472)	-	-	(241,472)	(279,834)
Investment gains (losses)	(59,089)	-	(22,030)	(81,119)	131,169
Change in net assets	149,574	(57,342)	(22,030)	70,202	51,348
Net assets, beginning of year	<u>7,761,914</u>	<u>70,162</u>	<u>169,476</u>	<u>8,001,552</u>	<u>7,950,204</u>
Net assets, end of year	<u>\$ 7,911,488</u>	<u>\$ 12,820</u>	<u>\$ 147,446</u>	<u>\$ 8,071,754</u>	<u>\$ 8,001,552</u>

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

Warren Village
Statement of Functional Expenses
For the Year Ended March 31, 2016

	Program Expenses							Supporting Services			For the Year Ended March 31, 2016	Summarized Financial Information For the Year Ended March 31, 2015
	Housing	Learning Center	Family Services	First Step	WV Without Walls & Volunteers	Alumni	Total	Management & General	ommunication	Development		
Salaries, payroll taxes, and employee benefits	\$ 275,823	\$ 1,197,013	\$ 360,838	\$ 96,928	\$ 63,612	\$ 38,301	\$ 2,032,515	\$ 202,358	\$ 56,705	\$ 279,239	\$ 2,570,817	\$ 2,468,949
Contract Labor												
Maintenance	258,203	70,789	15,723	8,868	-	-	353,583	-	290	-	353,873	324,127
Management	31,845	-	-	-	-	-	31,845	-	-	-	31,845	31,179
Professional Fees	7,683	99,983	9,060	-	2,268	600	119,594	50,224	3,240	2,000	175,058	92,169
Security	105,911	-	-	603	-	-	106,514	-	-	-	106,514	92,767
In-Kind/Volunteer services	100	12,380	123,854	8,564	3,000	-	147,898	2,628	1,200	37,264	188,990	293,167
General	10,054	2,144	4,111	1,483	2,057	-	19,849	2,460	-	-	22,309	28,645
Program Expenses												
Supplies	45,307	97,503	24,962	13,772	2,068	216	183,828	7,945	6,630	39,837	238,240	312,907
Scholarships	-	-	3,600	-	-	-	3,600	-	-	-	3,600	28,546
General	13,312	24,744	25,139	1,874	6,067	1,076	72,212	18,171	6,248	14,023	110,654	139,731
Occupancy and Other Expenses												
Interest	-	-	-	-	-	-	-	-	-	-	-	188
Utilities	135,207	5,603	2,722	18,123	374	6	162,035	1,264	231	1,246	164,776	189,788
General	14,869	23,426	12,828	25,911	1,708	906	79,648	11,668	4,134	19,002	114,452	112,682
Subtotal	898,314	1,533,585	582,837	176,126	81,154	41,105	3,313,121	296,718	78,678	392,611	4,081,128	4,114,845
Depreciation	191,992	21,981	14,358	-	631	631	229,593	6,829	631	4,418	241,472	279,834
Total Functional Expenses	\$ 1,090,306	\$ 1,555,566	\$ 597,195	\$ 176,126	\$ 81,785	\$ 41,736	\$ 3,542,714	\$ 303,547	\$ 79,309	\$ 397,029	\$ 4,322,600	\$ 4,394,679

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

See independent auditors' report

Warren Village, Inc.
Statement of Cash Flows

	<u>For the Year Ended March 31, 2016</u>	<u>Summarized Financial Information Year Ended March 31, 2015</u>
Cash flows from operating activities		
Change in net assets	\$ 70,202	\$ 51,348
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	241,472	279,834
Net realized and unrealized gain on investments	90,390	(125,470)
Changes in:		
Accounts receivable	(3,584)	(46,711)
Grants receivable	(20,315)	15,712
Prepaid expenses and other assets	(58,113)	5,716
Accounts payable and accruals	(83,662)	48,574
Cash provided by operating activities	<u>236,390</u>	<u>229,003</u>
Cash flows used in investing activities		
Change in restricted cash - committed reserves	15,610	170,110
Change in restricted cash - tenant security deposits	(2,791)	(3,764)
Change in escrow deposits	(8,260)	12,060
Purchase of property and equipment	(86,658)	(93,241)
Cash provided by (used in) investing activities	<u>(82,099)</u>	<u>85,165</u>
Cash flows from financing activities		
Repayment of notes payable	-	(31,007)
Cash used in financing activities	<u>-</u>	<u>(31,007)</u>
Net change in cash	<u>154,291</u>	<u>283,161</u>
Cash and equivalents, at beginning of period	1,114,535	831,374
Cash and equivalents, at end of period	<u><u>\$ 1,268,826</u></u>	<u><u>\$ 1,114,535</u></u>

Supplemental information:

Cash paid for interest during the year ended March 31, 2016 was \$0.

The amount is net of interest reduction subsidies received during the period totaled \$0.

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

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Nature of Operations

Warren Village, Inc. (the “Organization”) is a Colorado non-profit corporation formed in 1969 and tax exempt under Section 501(c)(3) of the United States Internal Revenue Code (the “Code”). The Organization operates an apartment building under Sections 236 and 8 of the National Housing Act (the “Project”). The Project is regulated by the United States Department of Housing and Urban Development (“HUD”). The Organization also operates an on-site children’s learning center and provides comprehensive family services for single-parent family tenants.

Basis of Presentation

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

Cash

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

Restricted Cash

Restricted Cash - Committed Reserves as of March 31, 2016 consist of reserves required by the Colorado Housing and Finance Authority (“CHFA”) Tax Credit Exchange Program (“TCEP”) (See Note 11) in the amount of \$441,957.

As of March 31, 2016, the Organization also had accrued management fees due to CHFA in the amount \$28,815.

HUD requires security deposits collected from tenants to be held in separate accounts and considered restricted cash. Restricted cash arising from tenant security deposits held at March 31, 2016 totaled \$23,848.

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

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

Receivables

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

The Organization uses the allowance method of accounting for doubtful accounts, estimating the amounts of uncollectible receivable and recording allowances based upon historical bad debt experience and management's assessment of collectability. No allowances were deemed necessary by management as of March 31, 2016.

Investments

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

Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements with a value greater than \$5,000 are recorded at cost or, if donated, at the fair value at the date of receipt. Depreciation and amortization are computed using the straight-line method based on estimated useful lives ranging from three to seven years. Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of an asset or asset group may not be recoverable. The amount of potential impairment loss is calculated by the excess of fair value over the assets carrying value. Fair value is generally determined using a discounted cash flow analysis. No impairments were recognized for the year ended March 31, 2016.

Revenue Recognition

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

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

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

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

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

Functional expenses

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

Income Taxes

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

The Organization has adopted accounting guidance related to uncertainty in income taxes. After evaluating the tax positions taken, management of the Organization has determined no amounts are required to be recognized related to uncertain tax positions as of March 31, 2016.

With few exceptions, income tax years before 2012 are no longer subject to examination by federal, state, or local taxing authorities.

Use of Estimates

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

Subsequent Events

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

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

NOTE 2 FAIR VALUE OF INVESTMENTS

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

The three levels are defined as follows:

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the year ended March 31, 2016.

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

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

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

NOTE 2 FAIR VALUE OF INVESTMENTS (CONTINUED)

The following sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value, as described above, on a recurring basis as of March 31, 2016:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities & mutual funds	\$ 1,757,875	\$ 1,757,875	\$ -	\$ -
Investments held by the Denver Foundation	<u>285,994</u>	<u>-</u>	<u>-</u>	<u>285,994</u>
Total Investments	<u>\$ 2,043,869</u>	<u>\$ 1,757,875</u>	<u>\$ -</u>	<u>\$ 285,994</u>

Investment income for the year ended March 31, 2016 consists of \$33,336 in dividends and interest reinvested and \$114,455 in net realized and unrealized net losses on investments.

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

Beginning balance	\$ 320,424
Total realized and unrealized losses	<u>(34,430)</u>
Ending balance	<u>\$ 285,994</u>

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property, equipment, and leasehold improvements at March 31, 2016 are as follows:

Building and improvements	\$ 6,960,840
Furnishings and equipment	145,876
Vehicles	148,435
Website and software	<u>165,847</u>
	7,420,998
Less accumulated depreciation and amortization	<u>(3,239,304)</u>
	4,181,694
Land	<u>146,445</u>
	<u>\$ 4,328,139</u>

NOTE 4 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 at March 31, 2016:

Replacement reserve	\$ 317,525
Mortgage and property insurance	<u>43,089</u>
	<u>\$ 360,614</u>

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

NOTE 5 LINE OF CREDIT

The Organization maintains a \$200,000 line of credit agreement with a financial institution. The line of credit accrues interest at a variable rate and expires in August 2017. No amounts were due under the line of credit agreement as of March 31, 2016.

NOTE 6 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 term of the agreement through 2025 (see Note 11). The note is collateralized by a deed of trust on property at 1323 Gilpin Street and subordinate to the note payable described above. This note requires certain rental occupancy rules, and was used to fund a portion of prior year rehabilitation project. 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.

NOTE 7 RETIREMENT PLAN

The Organization sponsors a tax deferred annuity plan (the "Plan") under provisions of United States Internal Revenue Code Section 403(b). The Plan is open to all employees of the Organization. Participants may contribute a portion of earnings annually, not to exceed the annual limits established the United States Internal Revenue Code. The Organization may elect to make annual discretionary matching contributions. Matching contributions for the year ended March 31, 2016 totaled \$48,211.

NOTE 8 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets as of March 31, 2016 may only be used as follows:

Scholarships	\$ 12,000
Unutilized Earnings	820
	<u>\$ 12,820</u>

Permanently Restricted Net Assets

Permanently restricted net assets, which may only be used to fund Learning Center programs, were as follows as of March 31, 2015:

Hope Endowment Fund – Learning Center	\$ 25,000
Young Endowment Fund – Learning Center	100,695
Unutilized Earnings	21,751
	<u>\$ 147,446</u>

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

NOTE 9 INVESTMENT IN ENDOWMENTS

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

Interpretation of Relevant Law

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

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

NOTE 9 INVESTMENT IN ENDOWMENTS_(CONTINUED)

Spending Policy

The donors have stipulated policies of appropriating monies for distribution each year at the greater of 1) 4.5% of its trailing 36-month average fair market value or 2) 4% of the current fair market value of the endowments or a separate option of distributing only the interest earned on the principal from the prior fiscal year. During 2014, the spending policy was changed to distribute up to 6% of the market value of the endowment based on the four-quarter trailing average value, net of annual administrative fees of 1%.

Endowment net assets as of March 31, 2016 consist of \$147,446 permanently restricted for use in Learning Center Programs.

Changes in invested endowment net assets for the year ended March 31, 2016 were as follows:

Beginning balance	\$	169,476
Net losses in investment value		(22,030)
Ending balance		\$ 147,446

NOTE 10 DONATED GOODS AND SERVICES

The value of donated goods and services included in the financial statements for the year ended March 31, 2016 are as follows:

	Goods & Supplies	Volunteer Services	Total
First Step	\$ 499	\$ 7,846	\$ 8,345
Volunteer	3,000	-	3,000
Housing	100	-	100
Management/general	2,628	-	2,628
Learning Center	3,257	-	3,257
Communications	1,200	-	1,200
Development	46,231	-	46,231
Family Services	55,467	70,720	126,187
Total	\$ 112,382	\$ 78,566	\$ 190,948

Expenditures for donated goods and services are included in the expenses and losses section of the statement of activities in the corresponding functional categories noted above. In addition, numerous individuals volunteer their time in support of the Organization. These volunteer hours were not recognized in the financial statements because they did not meet the recognition criteria.

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

NOTE 11 COMMITMENTS AND CONTINGENCIES

Housing Renovation Grants

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

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

Contracts

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

Housing

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

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

Warren Village, Inc.
Notes to Financial Statements
March 31, 2016

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Lease Obligations

The Organization leases office equipment under operating leases. Monthly payments of approximately \$472 extend through May 2016. Rental expense, including associated maintenance costs, amounted to \$5,664 for the year ended March 31, 2016.

Future required minimum lease payments under these leases total are approximately as follows:

<u>Year ending March 31,</u>	
2017	\$ 944
	<u>\$ 944</u>



www.whipplewoodcpas.com

11852 Shaffer Drive, Bldg B
Littleton, CO 80127
P: 303-989-7600
F: 303-989-5810