



FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

THE DELORES PROJECT

Years Ended June 30, 2015 and 2014

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Board of Directors
The Delores Project

Independent Auditor's Report

We have audited the accompanying financial statements of The Delores Project (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, the related statement of activities for the year ended June 30, 2015, statements of functional expenses and cash flows for the years ended June 30, 2015 and 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 The Delores Project as of June 30, 2015 and 2014, the change in its net assets for the year ended June 30, 2015, and its cash flows for the years ended June 30, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Delores Project June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

HANSON + Co. CPAs

Denver, Colorado

December 23, 2015

THE DELORES PROJECT
Statements of Financial Position

ASSETS		
June 30,	2015	2014
ASSETS		
Cash and cash equivalents - unrestricted	\$ 312,698	\$ 254,305
Government contracts receivable (Note A)	39,572	62,288
Contributions receivable (Note A)	54,316	97,996
Net property and equipment (Note C)	1,120,432	1,170,182
Cash - temporarily restricted (Note G)	54,799	57,317
Prepaid expenses	7,767	13,440
Total assets	\$ 1,589,584	\$ 1,655,528

LIABILITIES AND NET ASSETS		
June 30,	2015	2014
LIABILITIES		
Accounts payable	\$ 6,186	\$ 4,777
Accrued expenses	782	4,928
Accrued payroll liabilities	31,307	30,809
Total liabilities	38,275	40,514
NET ASSETS		
Unrestricted (Note F)	658,624	735,712
Temporarily restricted (Note G)	892,685	879,302
Total net assets	1,551,309	1,615,014
Total liabilities and net assets	\$ 1,589,584	\$ 1,655,528

The accompanying notes are an integral part of this statement.

THE DELORES PROJECT
Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND OTHER SUPPORT				
Contributions				
Civic organizations	\$ 1,354	\$ -	\$ 1,354	\$ 3,246
Corporate	22,950	60,000	82,950	36,286
Faith community	26,423	-	26,423	28,360
Foundations	198,441	62,500	260,941	284,131
Government	103,001	-	103,001	135,476
Individuals	237,522	18,000	255,522	230,867
In-kind (Note B)	113,300	-	113,300	118,044
Special event revenue	53,031	-	53,031	31,539
Less: Cost of direct benefit to donors	(14,329)	-	(14,329)	(7,859)
Other income	6	-	6	(5)
Interest income	1,142	-	1,142	1,228
Net assets released from restrictions (Note G)	127,117	(127,117)	-	-
TOTAL REVENUES AND OTHER SUPPORT	869,958	13,383	883,341	861,313
EXPENSES				
Program services	729,403	-	729,403	649,735
Management and general	53,850	-	53,850	52,284
Fundraising	163,793	-	163,793	134,022
TOTAL EXPENSES	947,046	-	947,046	836,041
CHANGE IN NET ASSETS	(77,088)	13,383	(63,705)	25,272
NET ASSETS AT BEGINNING OF YEAR	735,712	879,302	1,615,014	1,589,742
NET ASSETS AT END OF YEAR	\$ 658,624	\$ 892,685	\$ 1,551,309	\$ 1,615,014

The accompanying notes are an integral part of this statement.

THE DELORES PROJECT
Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting services	\$ -	\$ 18,800	\$ -	\$ 18,800
Client expense	24,979	-	-	24,979
Contributed meals and supplies	100,610	-	-	100,610
Dues and subscriptions	1,475	-	-	1,475
Equipment	3,019	184	768	3,971
Fundraising	-	-	18,137	18,137
House supplies	7,278	-	-	7,278
Insurance	4,970	303	1,264	6,537
IT services	2,286	139	581	3,006
Maintenance	18,032	1,100	4,586	23,718
Marketing	-	-	570	570
Mileage reimbursement	1,346	82	342	1,770
Office supplies	1,288	79	327	1,694
Other expense	42	236	10	288
Payroll tax and benefits	87,523	5,339	22,259	115,121
Postage, shipping, and delivery	1,023	62	260	1,345
Professional fees	10,491	-	-	10,491
Salary expense	371,216	22,646	94,406	488,268
Staff and board development	14,391	878	3,660	18,929
Telephone	4,414	269	1,123	5,806
Travel	16,563	167	633	17,363
Utilities	15,986	975	4,066	21,027
Total expenses before depreciation	686,932	51,259	152,992	891,183
Depreciation expense	42,471	2,591	10,801	55,863
Total expenses	\$ 729,403	\$ 53,850	\$ 163,793	\$ 947,046

The accompanying notes are an integral part of this statement.

THE DELORES PROJECT
Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting services	\$ -	\$ 18,505	\$ -	\$ 18,505
Client expense	10,162	-	-	10,162
Contributed meals and supplies	105,716	-	-	105,716
Dues and subscriptions	1,720	-	-	1,720
Equipment	4,701	305	1,099	6,105
Fundraising	-	-	12,769	12,769
House supplies	14,259	-	-	14,259
Insurance	4,900	318	1,145	6,363
IT services	616	40	144	800
Maintenance	12,795	831	2,991	16,617
Marketing	-	-	190	190
Mileage reimbursement	1,192	77	278	1,547
Office supplies	1,235	80	288	1,603
Other expense	73	155	18	246
Payroll tax and benefits	71,411	4,637	16,694	92,742
Postage, shipping, and delivery	1,222	79	286	1,587
Salary expense	350,501	22,760	81,935	455,196
Staff and board development	6,616	430	1,547	8,593
Telephone	4,474	291	1,046	5,811
Utilities	15,793	1,026	3,692	20,511
Total expenses before depreciation	607,386	49,534	124,122	781,042
Depreciation expense	42,349	2,750	9,900	54,999
Total expenses	\$ 649,735	\$ 52,284	\$ 134,022	\$ 836,041

The accompanying notes are an integral part of this statement.

THE DELORES PROJECT
Statements of Cash Flows

Years Ended June 30,	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	\$ 796,593	\$ 696,587
Cash received from programs and events	53,032	31,539
Cash payments to suppliers and employees	(788,779)	(673,088)
Interest received	1,142	1,228
Net cash provided by operating activities	61,988	56,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash restricted to capital investment	2,518	-
Purchase of equipment	(6,113)	(20,500)
Net cash used for investing activities	(3,595)	(20,500)
NET CHANGE IN CASH	58,393	35,766
CASH AT BEGINNING OF YEAR	254,305	218,539
CASH AT END OF YEAR	\$ 312,698	\$ 254,305
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (63,705)	\$ 25,272
Reconciling adjustments:		
Depreciation	55,863	54,999
Changes in assets and liabilities:		
Government contracts receivable	22,716	15,839
Contributions receivable	43,680	(37,613)
Other assets	5,673	(7,980)
Accounts payable	1,409	1,669
Fiscal agent liability and accrued expenses	(4,146)	4,694
Accrued payroll liabilities	498	(614)
Total adjustments	125,693	30,994
Net cash provided by operating activities	61,988	56,266

The accompanying notes are an integral part of this statement.

THE DELORES PROJECT
Notes to Financial Statements

Note A - Nature of Activities and Significant Accounting Policies

Nature of Activities

The Delores Project (the Organization) was established for the purpose of providing safe, comfortable shelter and individualized services to unaccompanied women experiencing homelessness. The Organization maintains a model of service in terms of hospitality, respect, and regard for the dignity of each guest. The Organization was incorporated in 2004 in the State of Colorado as a non-profit corporation and is located in Denver, Colorado. The Organization is supported primarily through donor contributions, grants, and foundations.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents received with donor imposed restrictions limiting their use to long term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

Property and Equipment

It is the policy of the Organization to capitalize property and equipment over \$1,500. Property and equipment is recorded at cost when purchased and fair value when donated. Property and equipment is depreciated using the straight-line method over the estimated useful life.

Net Assets

All financial transactions are recorded as unrestricted, temporarily restricted, and permanently restricted. Restrictions are made by donors who may stipulate limitations on the time a gift must be held, when it may be used, or the purpose for which it may be used.

Unrestricted net assets include assets and liabilities that are available for the regular activities of the Organization and controlled by the Board through the annual budget.

THE DELORES PROJECT
Notes to Financial Statements

Note A - Nature of Activities and Significant Accounting Policies (continued)

Net Assets (continued)

Temporarily restricted net assets include donor contributions that have either a time or purpose limitation. When the limitations on contributions expire through the passage of time or action of the Organization, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are fully met in the year the contribution is received are reported as unrestricted contributions.

Permanently restricted net assets are contributions subject to donor imposed requirements that they be maintained permanently. The Organization has no permanently restricted net assets at this time.

Contributions and Contributions Receivable

The Organization conducts fundraising campaigns or may be the recipient of grant revenue. Contributions, including unconditional promises to give, are recorded as revenue in the period the contribution is received or the unconditional promise to give is made. Conditional promises to give are recorded as revenue when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions are available for unrestricted use unless specifically restricted by the donor.

Contributions receivable or unconditional promises to give are recorded at face value, which approximates fair value. No discounts or allowances have been applied to contributions receivable at year end because the Organization expects these amounts to be fully collectible within one year. An allowance for uncollectible contributions receivable is estimated using management's judgment of current economic conditions. A receivable is written off only when management has determined that it is unlikely to be collected.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Government Contracts Receivable

Government contracts receivable represent requests for reimbursement of expenses incurred before year end. No allowance has been applied to the receivable at year end because the Organization expects these amounts to be fully collectible within one year.

In-Kind Contributions

In-kind contributions may include donated property and equipment, services, space use, materials or supplies. All are valued at estimated fair value when recognized. The Organization recognizes the value of contributed services when they 1) create or enhance a non-financial asset or property and equipment; or 2) require specialized skills and would otherwise need to be purchased.

THE DELORES PROJECT
Notes to Financial Statements

Note A - Nature of Activities and Significant Accounting Policies (continued)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain cost have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from income taxes under the Internal Revenue Code Section 501(c)(3) as a charitable organization. U.S. generally accepted accounting principles (GAAP) require an entity to disclose material uncertain tax positions that management believes do not meet a “more-likely-than-not” standard of being sustained under an income tax audit. If disclosure is required, the entity must accrue a liability for any such taxes, penalties, and interest. As of June 30, 2015, there is no taxable income from unrelated business activities and management has not identified any uncertain tax positions requiring disclosure or accrual. Information returns for the periods ending June 30, 2012 and all subsequent years remain open and subject to IRS inquiry.

Summarized Prior-Year Information

The statement of activities and change in net assets on page 6 includes certain prior-year summarized comparative information in total, but not by net asset class. This statement 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 June 30, 2014 from which the summarized information was derived.

Note B - In Kind Contributions

The Organization recorded in kind contributions as follows:

	<u>2015</u>	<u>2014</u>
Donated meals for clients	\$100,610	\$105,716
Donated professional services	225	2,100
Donated laundry and supplies	<u>12,465</u>	<u>10,228</u>
Total	<u>\$113,300</u>	<u>\$118,044</u>

Numerous volunteers donated time and services to the Organization. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition. In-kind contributions may be used for program activities, fundraising, or management and general purposes.

THE DELORES PROJECT
Notes to Financial Statements

Note C - Property and Equipment

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 154,000	\$ 154,000
Building and improvements	1,262,904	1,262,904
Furniture and equipment	<u>134,472</u>	<u>128,359</u>
Total	1,551,376	1,545,263
Less: accumulated depreciation	<u>(430,944)</u>	<u>(375,081)</u>
Net property and equipment	<u>\$1,120,432</u>	<u>\$1,170,182</u>

Note D - Line of Credit

The Organization has a \$75,000 revolving line of credit with the bank, expiring January 30, 2017. The interest rate is WSJ prime plus 1.75%, with a minimum interest rate of 5%, and monthly payments of interest only. The line of credit is secured by land and building owned and operated by the Organization and was fully available at June 30, 2015. There were no borrowings or repayments during the years ended June 30, 2015 and 2014.

Note E - Contingencies

The Organization owns a building which it uses for program and administrative purposes. The Organization received financing of \$700,000 towards the cost of the building through a grant from the City and County of Denver Office of Economic Development. The Organization executed a promissory note and deed of trust for the grant with terms and conditions satisfactory to the City. The note requires repayment of the \$700,000 grant principal if the property ceases to be used for shelter and housing and to provide services for homeless persons prior to May 24, 2037. In the event of default, interest will begin to accrue at 15% and the note will become due on demand. If the Organization complies with grant terms as specified, the note will be deemed fully paid and satisfied and the City will release the deed of trust.

No balance sheet liability has been recorded as it is the intent of the Board of Directors to continue to operate the building as specified in the grant. The grant proceeds are included in temporarily restricted net assets until the expiration of the contingent obligation imposed by the promissory note (see Note G).

The City and County holds a second deed of trust on the land and building. Centennial Bank holds a first deed of trust on the property as security for a \$75,000 line of credit (see Note D).

THE DELORES PROJECT
Notes to Financial Statements

Note F - Board Designated Net Assets

In 2010 the Organization received \$18,500 in exchange for an easement from the Regional Transportation District (RTD). The Board designated \$14,000 of this amount to be used for ground improvements to offset the impact of RTD construction and for client transportation. On June 30, 2015 the unspent balance was \$10,000, which is included in unrestricted net assets.

Note G - Temporary Restrictions of Net Assets

Temporarily restricted net assets were as follows at June 30,

	<u>2015</u>	<u>2014</u>
Community Development Block Grant (see Note E)	\$700,000	\$700,000
Capital improvements	43,496	46,014
Ground improvements	11,303	11,303
Capacity building grant	8,061	15,743
Operating grant for fiscal year beginning July 1, 2014	-	50,000
Client transportation and Steps to Stability grants	<u>129,825</u>	<u>56,242</u>
Total	<u>\$892,685</u>	<u>\$879,302</u>

Temporarily restricted cash is reflected on the accompanying financial statements for amounts relating to capital and ground improvements.

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying restricted purposes as follows:

	<u>2015</u>
Capital improvements	\$ 2,518
Capacity building grant	7,682
Operating grant for fiscal year beginning July 1, 2014	50,000
Client transportation and Steps to Stability grants	<u>66,917</u>
Total	<u>\$127,117</u>

Note H - Concentrations

The Organization generates substantially all of its support from contributions, grants, and fundraising events. For the year ended June 30, 2015, 53% of support was from contributions including in-kind, 30% from foundations, 12% from governments, and 5% from net special event revenue.

Due to the nature of the Organization's operations, reimbursable contracts and a small number of contributors make up the balance of contributions receivable. Five organizations comprised 96% of total receivables and four organizations comprised 93% of total receivables at June 30, 2015 and 2014, respectively.

THE DELORES PROJECT
Notes to Financial Statements

Note H - Concentrations (continued)

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents deposited in selected brokerage accounts and federally insured financial institutions. At June 30, 2015 and 2014, there were \$117,497 and \$60,927 of uninsured cash balances, respectively.

Note I - Commitments

The Delores Project entered into a development services agreement with Rocky Mountain Mutual Housing Association, Inc. on January 9, 2015. The two nonprofit organizations have formed Arroyo Village LLC (a Colorado limited liability company) which will be the general partner in Arroyo Village Apartments LLLP (a Colorado limited liability limited partnership). The LLLP has options to acquire a leasehold interest in two contiguous parcels of land, each owned by one of the nonprofit organizations. The options expire January 31, 2017, and may be extended under certain conditions. The LLLP will demolish certain buildings and develop, construct, maintain, and operate a shelter, permanent supportive housing units, workforce housing units, and a common area. The LLC will act as Developer, providing oversight services throughout the duration of the construction project. Under the terms of the development services agreement, The Delores Project does not expect to incur any debt nor perform any actions that might adversely affect its nonprofit status or the restricted grant and related deferred note payable with the City and County of Denver Office of Economic Development (Note E) . Upon project completion, The Delores Project will manage the shelter and provide services to permanent supportive housing units. The project is still in the planning stage and the agreement specifies that the terms are subject to change by the two nonprofit organizations.

Note J - Subsequent Events

Management has evaluated subsequent events through December 23, 2015, which is the date that the financial statements were available to be issued.