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HANSON & CO.

Certified Public Accountants

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

THE DELORES PROJECT

Years Ended June 30, 2016 and 2015

4100 E. Mississippi Ave., 17th Floor, Denver, Colorado 80246 [303] 388.1010

C O N T E N T S

HANSON&CO.
Certified Public Accountants

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, 2016 and 2015, the related statement of activities and the statement of functional expenses for the year ended June 30, 2016, and the statements of cash flows for the years ended June 30, 2016 and 2015, 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.

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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, 2016 and 2015, the change in its net assets for the year ended June 30, 2016, and its cash flows for the years ended June 30, 2016 and 2015 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2015. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hanson & Co. CPA's

Denver, Colorado

November 17, 2016

THE DELORES PROJECT
Statements of Financial Position

ASSETS

June 30,		2016		2015
ASSETS				
Cash and cash equivalents - unrestricted	$	319,930	$	312,698
Government contracts receivable (Note A)		14,474		39,572
Contributions receivable (Note B)		101,594		54,316
Prepaid expenses		10,269		7,767
Cash - temporarily restricted (Note H)		38,301		54,799
Net property and equipment (Note D)		1,085,529		1,120,432
Total assets	$	1,570,097	$	1,589,584

LIABILITIES AND NET ASSETS

June 30,		2016		2015
LIABILITIES				
Accounts payable	$	2,541	$	6,186
Accrued expenses		-		782
Accrued payroll liabilities		22,295		31,307
Total liabilities		24,836		38,275
NET ASSETS				
Unrestricted (Notes A and G)		715,641		658,624
Temporarily restricted				
Community Development Block Grant financing (Note F)		700,000		700,000
Temporarily restricted contributions (Note H)		129,620		192,685
Total net assets		1,545,261		1,551,309
Total liabilities and net assets	$	1,570,097	$	1,589,584

The accompanying notes are an integral part of this statement.

THE DELORES PROJECT
Statement of Activities
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND OTHER SUPPORT				
Contributions				
Civic organizations	$ 1,043	$ -	$ 1,043	$ 1,354
Corporate	42,558	48,000	90,558	82,950
Faith community	31,860	-	31,860	26,423
Foundations	377,289	37,500	414,789	260,941
Government	102,405	-	102,405	103,001
Individuals	248,362	-	248,362	255,522
In-kind (Note C)	139,096	-	139,096	113,300
Special event revenue	57,400	11,925	69,325	53,031
Less: Cost of direct benefit to donors	(5,929)	-	(5,929)	(14,329)
Other income	940	-	940	6
Interest income	748	-	748	1,142
Net assets released from restrictions (Note H)	160,490	(160,490)	-	-
TOTAL REVENUES AND OTHER SUPPORT	1,156,262	(63,065)	1,093,197	883,341
EXPENSES				
Program services	788,043	-	788,043	686,932
Management and general	105,316	-	105,316	51,259
Fundraising	148,817	-	148,817	152,992
TOTAL EXPENSES	1,042,176	-	1,042,176	891,183
Change in net assets before depreciation	114,086	(63,065)	51,021	(7,842)
Depreciation expense	57,069	-	57,069	55,863
CHANGE IN NET ASSETS	57,017	(63,065)	(6,048)	(63,705)
NET ASSETS AT BEGINNING OF YEAR	658,624	892,685	1,551,309	1,615,014
NET ASSETS AT END OF YEAR	$ 715,641	$ 829,620	$ 1,545,261	$ 1,551,309

The accompanying notes are an integral part of this statement.

THE DELORES PROJECT
Statement of Functional Expenses
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016				2015
		Support Services		Total	Total
	Program Services	Management and General	Fundraising		
Accounting services	$ -	$ 16,595	$ -	$ 16,595	$ 18,800
Client expense	53,635	-	-	53,635	24,979
Contributed meals and supplies	139,096	-	-	139,096	100,610
Dues and subscriptions	1,986	-	-	1,986	1,475
Equipment	4,863	736	1,073	6,672	3,971
Fundraising	-	-	16,367	16,367	18,137
House supplies	9,785	-	-	9,785	7,278
Insurance	6,884	1,041	1,518	9,443	6,537
Interest and bank fees	-	250	-	250	-
IT services	1,821	275	401	2,497	3,006
Maintenance	10,430	1,577	2,300	14,307	23,718
Marketing	-	-	3,774	3,774	570
Mileage reimbursement	1,853	280	408	2,541	1,770
Office supplies	2,297	348	507	3,152	1,694
Other expense	-	233	-	233	288
Payroll tax and benefits	83,056	12,559	18,314	113,929	115,121
Postage, shipping, and delivery	1,165	176	257	1,598	1,345
Printing and copying	864	131	191	1,186	-
Professional fees	-	-	-	-	10,491
Salary expense	443,369	67,041	97,766	608,176	488,268
Staff and board development	7,036	1,064	1,552	9,652	18,929
Telephone	4,152	628	916	5,696	5,806
Travel	-	-	-	-	17,363
Utilities	15,751	2,382	3,473	21,606	21,027
Total expenses	$ 788,043	$ 105,316	$ 148,817	$ 1,042,176	$ 891,183

The accompanying notes are an integral part of this statement.

THE DELORES PROJECT
Statements of Cash Flows

Years Ended June 30,		2016		2015
CASH FLOWS FROM OPERATING ACTIVITES				
Cash received from contributions and grants	$	867,777	$	796,593
Cash received from programs and events		69,325		53,032
Cash payments to suppliers and employees		(924,950)		(788,779)
Interest received		748		1,142
Net cash provided by operating activities		12,900		61,988
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash restricted to capital investment		16,498		2,518
Purchase of equipment		(22,166)		(6,113)
Net cash used for investing activities		(5,668)		(3,595)
NET CHANGE IN CASH		7,232		58,393
CASH AT BEGINNING OF YEAR		312,698		254,305
CASH AT END OF YEAR	$	319,930	$	312,698
Reconciliation of change in net assets to net cash provided by operating activities:				
Change in net assets	$	(6,048)	$	(63,705)
Reconciling adjustments:				
Depreciation		57,069		55,863
Changes in assets and liabilities:				
Government contracts receivable		25,098		22,716
Contributions receivable		(47,278)		43,680
Other assets		(2,502)		5,673
Accounts payable		(3,645)		1,409
Fiscal agent liability and accrued expenses		(782)		(4,146)
Accrued payroll liabilities		(9,012)		498
Total adjustments		18,948		125,693
Net cash provided by operating activities		12,900		61,988

The accompanying notes are an integral part of this statement.

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 and transgender individuals 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 requires 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.

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 or net realizable value, which approximate 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. 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.

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. The statement of functional expenses on page 7 includes certain prior-year summarized comparative information in total, but not by program or supporting services. These statements do not include sufficient detail to constitute presentations 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, 2015 from which the summarized information was derived.

Note B - Contributions Receivable

Contributions receivable consist of the following:

	2016	2015
Unrestricted promises to give	$ 11,925	$ -
Workplace giving receivables	11,783	12,415
Foundation gifts receivable	77,886	41,901
Total	$ 101,594	$ 54,316
Amounts due in less than one year	$ 96,294	$ 54,316
Amounts due in one to five years	5,300	-
Total	$ 101,594	$ 54,316

Unconditional promises to give are recognized at estimated net realizable value, which approximates fair value. No discount or allowance has been applied to these receivables as they are expected to be collected in full.

Note B - Contributions Receivable (continued)

Temporarily restricted net assets include $12,500, which is the first payment on a professional development grant. The second payment of $12,500 on this grant is considered conditional and has not been recorded as revenue. Its payment is based on the successful progress of the program and is expected to be collected within the terms of the agreement.

Note C - In Kind Contributions

The Organization recorded in kind contributions as follows:

	2016	2015
Donated meals for clients	$ 126,544	$ 100,610
Donated professional services	-	225
Donated laundry and supplies	12,552	12,465
Total	$ 139,096	$ 113,300

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.

Note D - Property and Equipment

Property and equipment consist of the following:

	2016	2015
Land	$ 154,000	$ 154,000
Building and improvements	1,283,890	1,262,904
Furniture and equipment	135,652	134,472
Total	1,573,542	1,551,376
Less: accumulated depreciation	(488,013)	(430,944)
Net property and equipment	$ 1,085,529	$ 1,120,432

Note E - 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, 2016. There were no borrowings or repayments during the years ended June 30, 2016 and 2015.

Note F - Contingencies

The Organization owns a building which it uses for program and administrative purposes. The Organization received financing of $700,000 towards the purchase 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 H).

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 E).

Note G - 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, 2016 the unspent balance was $10,000, which is included in unrestricted net assets.

Note H - Temporary Restrictions of Net Assets

Temporarily restricted net assets were as follows at June 30.

	2016	2015
Capital improvements	$ 26,998	$ 43,496
Ground improvements	11,303	11,303
Capacity building grant	8,061	8,061
Operating grant for fiscal year beginning July 1, 2016	36,925	-
Client transportation and Steps to Stability grants	33,833	129,825
Professional development grant	12,500	-
Temporarily restricted contributions	129,620	192,685
Community Development Block Grant (see Note F)	700,000	700,000
Total	$ 829,620	$ 892,685

Note H - Temporary Restrictions of Net Assets (continued)

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

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

	2016
Capital improvements	$ 16,498
Client transportation and Steps to Stability grants	143,992
Total	$ 160,490

Note I - Concentrations

The Organization generates substantially all of its support from contributions, grants, and fundraising events. For the year ended June 30, 2016, 47% of support was from contributions including in-kind, 38% from foundation gifts, 9% from government contracts, and 6% 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. Six organizations comprised 89% of total receivables and five organizations comprised 96% of total receivables at June 30, 2016 and 2015, respectively.

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, 2016 and 2015, there were $47,410 and $117,497 of uninsured cash balances, respectively.

Note J - 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 F) . Upon project completion, The Delores Project will manage the shelter and provide services to permanent supportive housing units.

Note J - Commitments (continued)

Arroyo Village LLC, as Developer for Arroyo Village Apartments LLLP (AVA LLLP), entered into a consulting services agreement with BlueLine Development, Inc. on January 15, 2016. BlueLine will act as Consultant for the AVA LLLP project, managing all aspects of the planning, construction, and completion including supervision of financing, design, construction, and compliance. The project was approved in June 2016 for federal and state for low income housing income tax credits. The sale of the tax credits will provide the initial funding for the construction project which is expected to commence construction in mid 2017.

Note K - Subsequent Events

Management has evaluated subsequent events through November 17, 2016, which is the date that the financial statements were available to be issued.