THE DELORES PROJECT

FINANCIAL STATEMENTS

JUNE 30, 2017

Contents

RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

Board of Directors
The Delores Project
Denver, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of The Delores Project (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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.

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, 2017, and the change 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.

Other Matters

The financial statements of The Delores Project for the year ended June 30, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on November 17, 2016.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management discussion and analysis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report On Summarized Comparative Information

Other auditors previously audited The Delores Project's June 30, 2016 financial statements and expressed an unmodified audit opinion on those statements in a report dated November 17, 2016. The summarized comparative information presented herein for the year ended June 30, 2016 should be read in conjunction with the other auditors' report.

RubinBrown LLP

November 20, 2017

The Delores Project
Audit Narrative
July 1, 2016 – June 30, 2017

In 2006, The Delores Project transitioned from a program offering just seasonal emergency shelter out of borrowed space, to purchasing its own building in which to operate year round. This enabled the organization to couple vital nightly shelter with intensive and personalized services that would support shelter guests along their path to stability, including housing. At the time, the organization recognized that ultimately the capital asset could be leveraged in some way for the long-term benefit of guests and programs.

In 2015, The Delores Project entered into a partnership with its neighbor, affordable housing provider Rocky Mountain Communities, in order to redevelop both properties together in order to help address Denver's low-income and affordable housing crisis. In May 2016 the project, Arroyo Village, was awarded state and federal Low Income Housing Tax Credits which will fund the construction, which will be supported by other public and private funding sources.

Arroyo Village will create 95 one–three bedroom affordable housing units for individuals and families, and 35 one bedroom units for formerly chronically homeless individuals who also have a disability. These 35 residents will be supported by services and resources to maintain their housing that will be provided by The Delores Project. In addition, a new shelter facility will be created allowing The Delores Project to improve and expand programs for shelter guests in an environment consistent with the evidence based best practice of trauma informed care. The project is anticipated to be completed and fully occupied in early 2019.

The financial statements for the fiscal year ended June 30, 2017 reflect the demolition of both buildings on The Delores Project property– the shelter facility and a small building used for storage. This was completed in June 2017 to begin construction of Arroyo Village, which commenced in early September 2017. The current year financials show the reduction in total assets and the associated loss related to the demolition of the building. It is important to note, however that net income before depreciation and the loss on the building is positive and that cash and cash reserves are slightly higher than the previous year indicating the financial stability of the organization remains healthy.

Terrell A. W. Curtis	Eric Marburger
Executive Director	President, 2016-2017

THE DELORES PROJECT

STATEMENT OF FINANCIAL POSITION
June 30, 2017 And 2016

Assets

		2017		2016
Cash and cash equivalents - unrestricted	$	**368,563**	$	319,930
Government contracts receivable		**37,123**		14,474
Contributions receivable (Note 2)		**90,744**		101,594
Arroyo Village LLLP receivable		**7,173**		—
Prepaid expenses		**8,116**		10,269
Deposits		**11,000**		—
Cash - temporarily restricted (Note 6)		**11,303**		38,301
Net property and equipment (Note 4)		**198,416**		1,085,529
Total Assets	$	**732,438**	$	1,570,097

Liabilities And Net Assets

		2017		2016
Liabilities				
Accounts payable	$	**4,604**	$	2,541
Accrued payroll liabilities		**34,673**		22,295
Deferred revenue		**6,250**		—
Total Liabilities		**45,527**		24,836
Net Assets				
Unrestricted		**596,075**		715,641
Temporarily restricted:				
Community Development Block Grant financing (Note 4)		—		700,000
Temporarily restricted contributions (Note 6)		**90,836**		129,620
Total Net Assets		**686,911**		1,545,261
Total Liabilities And Net Assets	$	**732,438**	$	1,570,097

THE DELORES PROJECT

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017
(With Summarized Comparative Totals For The Year Ended June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenues And Other Support				
Contributions:				
Civic organizations	$ 220	$ —	$ 220	$ 1,043
Corporate	18,016	92,000	110,016	90,558
Faith community	39,204	—	39,204	31,860
Foundations	230,614	138,750	369,364	414,789
Government	129,008	—	129,008	102,405
Individuals	291,057	18,000	309,057	248,362
In-kind (Note 3)	135,242	—	135,242	139,096
Special event revenue	47,533	11,200	58,733	69,325
Less: Cost of direct benefit to donors	(7,758)	—	(7,758)	(5,929)
Other income	6,755	—	6,755	943
Interest income	193	—	193	745
Net assets released from restrictions (Note 6)	298,734	(298,734)	—	—
Total Revenues And Other Support	1,188,818	(38,784)	1,150,034	1,093,197
Expenses				
Program services	810,903	—	810,903	788,043
Management and general	95,971	—	95,971	105,316
Fundraising	210,873	—	210,873	148,817
Total Expenses	1,117,747	—	1,117,747	1,042,176
Change in net assets before losses and depreciation:	71,071	(38,784)	32,287	51,021
Loss on disposition (Note 4)	(128,864)	(700,000)	(828,864)	—
Depreciation expense	(61,773)	—	(61,773)	(57,069)
Change In Net Assets	(119,566)	(738,784)	(858,350)	(6,048)
Net Assets At Beginning Of Year	715,641	829,620	1,545,261	1,551,309
Net Assets At End Of Year	$ 596,075	$ 90,836	$ 686,911	$ 1,545,261

THE DELORES PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2017
(With Summarized Comparative Totals For The Year Ended June 30, 2016)

	2017				2016
		Support Services			
	Program Services	Management And General	Fundraising	Total	Total
Accounting services	$ —	$ 10,700	$ —	$ 10,700	$ 16,595
Client expense	70,703	—	—	70,703	53,635
Contributed meals and supplies	135,242	—	—	135,242	139,096
Dues and subscriptions	3,212	—	—	3,212	1,986
Equipment	4,375	653	1,288	6,316	6,672
Fundraising	—	—	20,154	20,154	16,367
House supplies	11,396	—	—	11,396	9,785
Insurance	6,720	1,013	1,473	9,206	9,443
Interest and bank fees	—	149	—	149	250
IT services	430	64	127	621	2,497
Maintenance	12,416	1,855	3,654	17,925	14,307
Marketing	—	—	1,247	1,247	3,774
Mileage reimbursement	934	139	275	1,348	2,541
Office supplies	1,899	283	559	2,741	3,152
Other expense	—	160	—	160	233
Payroll tax and benefits	84,056	12,558	24,740	121,354	113,929
Postage, shipping and delivery	1,432	214	422	2,068	1,598
Printing and copying	860	129	253	1,242	1,186
Salary expense	435,836	65,114	150,892	651,842	608,176
Staff and board development	17,081	2,552	5,025	24,658	9,652
Telephone	2,595	388	764	3,747	5,696
Utilities	21,716	—	—	21,716	21,606
Total Expenses	$ 810,903	$ 95,971	$ 210,873	$ 1,117,747	$ 1,042,176

THE DELORES PROJECT

STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2017 And 2016

		2017		2016
Cash Flows From Operating Activities				
Cash received from contributions and grants	$	944,147	$	867,777
Cash received from programs and events		58,733		69,325
Cash payments to suppliers and employees		(984,669)		(924,950)
Interest received		193		748
Miscellaneous income		6,755		—
Net Cash Provided By Operating Activities		25,159		12,900
Cash Flows From Investing Activities				
Cash restricted to capital investment		26,998		16,498
Purchase of equipment		(3,524)		(22,166)
Net Cash Provided By (Used In) Investing Activities		23,474		(5,668)
Net Change In Cash And Cash Equivalents		48,633		7,232
Cash And Cash Equivalents At Beginning Of Year		319,930		312,698
Cash And Cash Equivalents At End Of Year	$	368,563	$	319,930
Reconciliation Of Change In Net Assets To Net Cash Provided By Operating Activities				
Change in net assets	$	(858,350)	$	(6,048)
Reconciling adjustments:				
Depreciation		61,773		57,069
Loss on disposition of building		128,864		—
Community Development Block Grant		700,000		—
Changes in assets and liabilities:				
Government contracts receivable		(22,649)		25,098
Contributions receivable		10,850		(47,278)
Arroyo Village LLLP receivable		(7,173)		—
Prepaid expenses		2,153		(2,502)
Deposits		(11,000)		—
Accounts payable		2,063		(4,427)
Accrued payroll liabilities		12,378		(9,012)
Deferred revenue		6,250		—
Total Adjustments		883,509		18,948
Net Cash Provided By Operating Activities	$	25,159	$	12,900
Noncash items:				
Disposition of building and CDBG funds	$	828,864	$	—

1. 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 personalized services to unaccompanied women and transgender individuals experiencing homelessness. The Organization also works to end homelessness by advocating for housing solutions. In 2015, the Organization entered into partnership with Rocky Mountain Communities to redevelop its property in order to create low-income and affordable housing, and to build a replacement shelter facility. The redevelopment project, Arroyo Village, broke ground August 2016 and is expected to be completed mid-2019. The Organization was incorporated in 2004 in the State of Colorado as a nonprofit corporation and is located in Denver, Colorado. The Organization is supported primarily through donor contributions, grants and foundations.

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 (GAAP) 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.

The Organization reviews its investment in property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the property and equipment to the future net undiscounted cash flow expected to be generated by the property and equipment, including the residual value. If property and equipment is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property and equipment. There was no impairment loss recognized for the year ended June 30, 2017.

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.

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 approximates fair value. 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. No discounts or allowances have been applied to contributions receivable at year end because the Organization expects these amounts to be fully collectible.

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 nonfinancial asset or property and equipment or 2) require specialized skills and would otherwise need to be purchased.

Deferred Revenue

Deferred revenues are recorded when cash or receivables are recognized, but income is not yet earned. These amounts will be recognized in following periods when earned.

Prepaid Expenses

Prepaid expenses represent amounts paid for which there is a future benefit. These items are recognized as expenses in the period in which the benefit is received.

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. GAAP requires 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, 2017, there is no taxable income from unrelated business activities, and management has not identified any uncertain tax positions requiring disclosure or accrual. Tax information returns for the periods ending June 30, 2013 and all subsequent years remain open and subject to Internal Revenue Service inquiry.

Summarized Prior-Year Information

The statement of activities and change in net assets includes certain prior-year summarized comparative information in total, but not by net asset class. The statement of functional expenses 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

2. Contributions Receivable

Contributions receivable consist of the following:

	2017	2016
Unrestricted promises to give	$ 11,200	$ 11,925
Workplace giving receivables	7,868	11,783
Foundation gifts receivable	71,676	77 886
Total	$ 90,744	$ 101,594
Amounts due in less than one year	$ 90,744	$ 96,294
Amounts due in one to five years	—	5 300
Total	$ 90,744	$ 101,594

3. In-Kind Contributions

The Organization recorded in kind contributions as follows:

	2017	2016
Donated meals for clients	$ 124,608	$ 126,544
Donated laundry and supplies	10,634	12,552
Total	$ 135,242	$ 139,096

Five hundred volunteers donated 18,367 service hours to the Organization during 2017. 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.

4. Property And Equipment

Property and equipment consist of the following:

		2017		2016
Land	**$**	**154,000**	$	154,000
Building and improvements		**—**		1,283,890
Furniture and equipment		**139,175**		135,652
Total		**293,175**		1,573,542
Less: Accumulated depreciation		**(94,759)**		(488,013)
Net Property And Equipment	**$**	**198,416**	$	1,085,529

The financial statements for the fiscal year ended June 30, 2017 noticeably reflect the demolition of both physical buildings on the shelter's property - the shelter facility and the small storage building. This was completed in June 2017 to begin construction on the planned Arroyo Village redevelopment project with partner, Rocky Mountain Communities.

Arroyo Village will create 95 one-to-three-bedroom affordable housing units for individuals and families, and 35 one-bedroom units for former chronically homeless individuals who also have a disability. These 35 residents will be supported by services and resources provided by the Organization to maintain their housing. In addition, a new shelter facility will be created allowing for improved and expanded programs for shelter guests in an environment consistent with the evidence-based best practices of trauma-informed care. The project is anticipated to be completed and fully occupied in early 2019.

The building was used for program and administrative purposes and was financed with a $700,000 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. No balance sheet liability was 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 were included in temporarily restricted net assets. During 2017, as part of the building demolition, the contingent obligation imposed by the promissory note was removed, and the $700,000 has been written off as part of the building disposition.

5. 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. During fiscal year 2017, the Board released the designation of the unspent balance of $10,000 and voted to redesignate it to the Arroyo Village Capital Campaign.

6. Temporary Restrictions Of Net Assets

Temporarily restricted net assets were as follows at June 30:

	2017	2016
Capital improvements	**$ —**	$ 26,998
Ground improvements	**11,303**	11,303
Capacity building grant	**2,927**	8,061
Operating grant for fiscal year beginning July 1, 2016	**29,950**	36,925
Client transportation and Steps to Stability grants	**—**	33,833
Arroyo Village capital campaign	**33,519**	—
Professional development grant	**13,137**	12 500
Temporarily restricted contributions	**90,836**	129,620
Community Development Block Grant (see Note 4)	**—**	700 000
Total	**$ 90,836**	$ 829,620

Temporarily restricted cash of $11,303 and $38,301 at June 30, 2017 and 2016, respectively, 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 or being reallocated by the donor as follows:

		2017
Capital improvements	$	1,027
Client transportation and Steps to Stability grants		231,333
Capacity building		5,134
Professional development grant		11,864
Emergency shelter		5,000
Service enterprise		4,000
Arroyo Village capital campaign		3,452
Operating grant and receivables		36,924
Total	$	298,734

7. Concentrations

The Organization generates substantially all of its support from contributions, grants and fundraising events. For the year ended June 30, 2017, 52% of support was from contributions including in-kind, 32% from foundation gifts, 11% from government contracts and 4% 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. Three organizations comprised 88% of total receivables and six organizations comprised 89% of total receivables at June 30, 2017 and 2016, 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, 2017 and 2016, there were $129,866 and $47,410, respectively, of uninsured cash balances.

8. Commitments

The Organization 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 is the general partner in Arroyo Village Apartments LLLP (the LLLP), a Colorado limited liability limited partnership. The LLLP has acquired leasehold interests in two contiguous parcels of land, each owned by one of the nonprofit organizations. The LLLP has demolished certain buildings and will develop, construct, maintain and operate a shelter, permanent supportive housing units, workforce housing units and a common area. AV Development LLC will act as Developer, providing oversight services throughout the duration of the construction project. The Organization and Rocky Mountain Communities are members of AV Development LLC and own 25% and 75% respectively. Under the terms of the development services agreement, The Organization does not expect to incur any debt nor perform any actions that might adversely affect its nonprofit status. Upon project completion, The Organization will manage the shelter and provide services to permanent supportive housing units.

The Organization and Rocky Mountain Mutual Housing Association formed AV Development LLC in August 2017, for the purpose of acting as developer and construction manager for Arroyo Village Apartments.

Arroyo Village LLC, as Developer for the LLLP, entered into a consulting services agreement with BlueLine Development, Inc. on January 15, 2016. This contract was subsequently assigned from Arroyo Village LLC to Rocky Mountain Communities. BlueLine will act as Consultant for the 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 has provided the initial funding for the construction project, which commenced construction in August 2017.

9. Short-Term Operating Lease

On May 8, 2017, the Organization entered into a short-term operating lease with another not-for-profit organization for temporary operation of a shelter for women and transgender individuals and administrative offices. The lease is effective until February 28, 2018 and required a $1 rent payment upon the effective date of the lease. A $10,000 security deposit was also paid to and is held by the lessor.

10. Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

On August 24, 2017, the Organization, as part of its partnership in Arroyo Village, completed the closing of tax credit investment documents and other financing tools, including loans from private and government agencies as well as a grant from the Colorado Division of Housing. Subsequently, construction on the project began in earnest in early September 2017, and the Organization received the first portion of the Development Fee in October 2017 totaling $107,250.