RAINBOW VILLAGE, INC. AND SUBSIDIARIES

Duluth, Georgia

Consolidated Financial Statements

December 31, 2020 and 2019

RAINBOW VILLAGE, INC. AND SUBSIDIARIES
DULUTH, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5
Consolidated statements of cash flows	6
Notes to the consolidated financial statements	7 - 16
OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*	18 - 19

WILSON LEWIS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rainbow Village, Inc.
Duluth, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rainbow Village, Inc. and subsidiaries (a nonprofit organization) which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Village, Inc. as of December 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

1720 Peachtree Street, Suite 629
Atlanta, Georgia 30309
tel: 404-881-1229 | fax: 404-881-8658

6650 Sugarloaf Parkway, Suite 900
Duluth, Georgia 30097
tel: 770-476-1004 | fax: 770-476-0201

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2021, on our consideration of Rainbow Village, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Rainbow Village, Inc.'s internal control over financial reporting and compliance.

WilsonLewis

October 3, 2021

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 776,479	$ 606,038
Unconditional promises to give	-	5,000
Grants receivable	-	60,250
Resident receivables, net	8,726	33,250
Prepaid expenses	26,987	21,872
Investments	302,495	-
Contract assets	54,841	-
Total current assets	1,169,528	726,410
PROPERTY AND EQUIPMENT		
Property and equipment	9,431,574	9,446,090
Less: accumulated depreciation	(1,730,758)	(1,500,626)
Property and equipment, net	7,700,816	7,945,464
LONG-TERM ASSETS		
Unconditional promises to give, long-term, net	-	5,000
Total assets	$ 8,870,344	$ 8,676,874
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 25,849	$ 39,153
Accrued expenses	44,239	75,652
Resident deposits and savings	37,175	800
Total current liabilities	107,263	115,605
NET ASSETS		
Net assets - without donor restrictions	5,963,838	5,510,262
Net assets - with donor restrictions	2,799,243	3,051,007
Total net assets	8,763,081	8,561,269
Total liabilities and net assets	$ 8,870,344	$ 8,676,874

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	$ 1,100,395	$ 1,000	$ 1,101,395	$ 1,259,930	$ 69,358	$ 1,329,288
Grant revenue	-	350,451	350,451	70,168	8,500	78,668
Rental income	82,910	-	82,910	103,488	-	103,488
Other program income	46,547	-	46,547	69,932	-	69,932
Special events income	320,307	-	320,307	401,364	-	401,364
Investment income	52,560	-	52,560	12	-	12
Total revenue and support	1,602,719	351,451	1,954,170	1,904,894	77,858	1,982,752
Net assets released from restrictions	603,215	(603,215)	-	320,032	(320,032)	-
EXPENSES						
Program services	1,002,506	-	1,002,506	969,975	-	969,975
Supporting services	405,067	-	405,067	342,403	-	342,403
Fundraising	269,233	-	269,233	258,317	-	258,317
Total expenses	1,676,806	-	1,676,806	1,570,695	-	1,570,695
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	529,128	(251,764)	277,364	654,231	(242,174)	412,057
DISCONTINUED OPERATIONS (See Note 13)						
Loss from discontinued operation	(75,552)	-	(75,552)	(195,295)	-	(195,295)
Total change in net assets	453,576	(251,764)	201,812	458,936	(242,174)	216,762
NET ASSETS, beginning of year	5,510,262	3,051,007	8,561,269	5,051,326	3,293,181	8,344,507
NET ASSETS, end of year	$ 5,963,838	$ 2,799,243	$ 8,763,081	$ 5,510,262	$ 3,051,007	$ 8,561,269

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
OPERATING EXPENSES								
Bank / merchant fees	$ 568	$ 1,700	$ 6,770	$ 9,038	$ 154	$ 1,253	$ 4,247	$ 5,654
Bad debt expense	14,887	-	-	14,887	27,113	-	-	27,113
Conference and meetings	306	711	528	1,545	445	937	420	1,802
Depreciation	248,845	15,925	-	264,770	253,289	16,325	-	269,614
Equipment rental	-	5,400	-	5,400	3,188	1,062	1,150	5,400
Insurance	25,771	16,970	466	43,207	29,039	4,248	2,078	35,365
Interest	-	148	-	148	-	8,114	-	8,114
Memberships	2,575	10,252	650	13,477	2,840	4,295	775	7,910
Office	4,025	720	284	5,029	12,435	1,924	75	14,434
Postage	-	764	411	1,175	139	904	121	1,164
Professional fees	-	70,595	9,600	80,195	21,163	45,595	11,532	78,290
Promotional materials and service	-	-	13,767	13,767	-	164	5,008	5,172
Repairs and maintenance	47,308	8,144	1,861	57,313	47,048	14,209	2,301	63,558
Special events	-	-	61,529	61,529	-	267	90,873	91,140
Supplies	24,621	1,941	1,138	27,700	13,478	1,482	677	15,637
Technology	29,214	17,372	5,478	52,064	35,059	15,525	6,815	57,399
Telephone	19,492	4,306	1,420	25,218	20,698	3,598	1,358	25,654
Utilities	93,710	17,668	1,494	112,872	90,930	84	1,371	92,385
Total operating expenses	511,322	172,616	105,396	789,334	557,018	119,986	128,801	805,805
PERSONNEL COSTS								
Salaries	364,693	207,356	146,761	718,810	328,364	194,649	116,961	639,974
Employee benefits	11,284	9,780	4,375	25,439	9,615	11,600	1,825	23,040
Payroll taxes	30,471	14,736	11,814	57,021	23,003	15,892	10,292	49,187
Professional development	-	579	250	829	1,144	276	438	1,858
Total personnel costs	406,448	232,451	163,200	802,099	362,126	222,417	129,516	714,059
DIRECT PROGRAM COSTS								
Children and youth	16,387	-	637	17,024	21,073	-	-	21,073
Case management and adult	68,349	-	-	68,349	29,758	-	-	29,758
Total direct program costs	84,736	-	637	85,373	50,831	-	-	50,831
Total expenses	$ 1,002,506	$ 405,067	$ 269,233	$ 1,676,806	$ 969,975	$ 342,403	$ 258,317	$ 1,570,695

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 201,812	$ 216,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	276,793	283,300
Net gains on investments	(52,495)	-
Bad debts	14,887	27,113
(Increase) decrease in assets:		
Promises to give	-	42,500
Grants receivable	60,250	(8,197)
Contract assets	(54,841)	-
Resident receivables	19,637	(22,204)
Prepaid expenses	(5,116)	1,999
Increase (decrease) in liabilities:		
Accounts payable	(13,304)	33,395
Accrued expenses	(31,411)	13,223
Resident obligations	36,375	800
Total adjustments	250,775	371,929
Net cash provided by (used in) operating activities	452,587	588,691
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(32,146)	(10,968)
Purchase of investments	(250,000)	-
Net cash used in investing activities	(282,146)	(10,968)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on lines of credit	-	60,000
Repayments on lines of credit	-	(184,619)
Net cash used in financing activities	-	(124,619)
NET INCREASE (DECRESE) IN CASH AND CASH EQUIVALENTS	170,441	453,104
Cash and cash equivalents, beginning of year	606,038	152,934
Cash and cash equivalents, end of year	$ 776,479	$ 606,038

SUPPLEMENTAL INFORMATION:

	2020	2019
Interest paid	$ 148	$ 8,114

See accompanying notes and independent auditor's report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Rainbow Village, Inc. ("Organization") provides families in domestic and / or economic crisis a healing environment to rebuild their lives through a community based transitional housing program that promotes self-sufficiency. Beyond providing the security of fully furnished homes, the Organization provides homeless families with targeted case management and requires the following participation level from family members: life-skills classes, job training and workforce development, financial literacy counseling, support groups, and after-school and character-building programs for children and youth.

Most of the families served by the Organization transition within two years to an independent living situation. A majority of the formerly homeless families are single, female heads of households, many fleeing domestic violence. The Organization provides homes for eighteen families serving an average of 100 adults, children, and youth annually. Aftercare is provided to families for a minimum of two years. In addition, a mentoring program allows an opportunity for resident families to work with others who have successfully completed the program for support and encouragement.

The Rainbow Village Community Center, LLC and the Rainbow Village Early Childhood Development Center, LLC are wholly owned subsidiaries of Rainbow Village, Inc. These limited liability companies were established in December 2014 and began operations in November 2015. The Community Center and Early Childhood Development Center were opened to help families handle the economic burden childcare creates for homeless working adults with children. The Community Center also serves homeless children through before and after school programs, tutoring, and other enrichment opportunities. The Early Childhood Development Center ceased operations during the year ended December 31, 2020, See Note 13.

Contributions to the Organization are tax deductible within the limitation prescribed by the Internal Revenue Code.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Rainbow Village, Inc. and its wholly-owned subsidiaries, collectively the "Organization". Significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The Organization recognizes revenue and expenses on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization presents its consolidated financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit-Entities*. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. As of December 31, 2020 and 2019, net assets without donor restrictions were $5,963,838 and $5,510,262, respectively.

Net assets with donor restrictions are amounts subject to donor-imposed stipulations that may, or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions were $2,799,243 and $3,051,007 for the years ended December 31, 2020 and 2019, respectively.

Use of Estimates

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

Revenue Recognition

For exchange transactions, such as event ticket sales and certain grant agreements, the Organization recognizes revenue from contracts with customers in accordance with ASC Topic 606 Revenue from Contracts with Customers. ASC 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue

Revenue is disaggregated based on the timing of the transfer of goods and services and the type of goods and services transferred. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer. The transaction price generally includes fixed amounts but may from time to time include variable amounts to the extent that a significant reversal of revenue recognized will not occur when the uncertainty associated with variable consideration is subsequently resolved, that is, it is probable and estimable.

Generally, the Organization's contracts with customers contain one performance obligation. Performance obligations related to contracts with customers for event ticket revenue and auction sales revenue are satisfied at a point in time because the performance of the contract typically creates or enhances an asset that the customer controls as the asset is delivered to the customer. Revenue is recognized as performance obligations are satisfied and control of the promised goods and / or service is transferred to the customer. Revenue is recognized at a point in time as control is transferred to the customers by measuring the progress toward complete satisfaction of the performance obligation using the units delivered output method which is generally the best depiction of transfer of control.

Subsequent to the inception of a contract, the transaction price could change for various reasons,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

including a credit that can be applied to amounts owed, or that will be owed, or a full or partial refund. Changes that are accounted for as an adjustment to existing performance obligations are allocated on the same basis at contract inception. Otherwise, changes are accounted for as separate performance obligations and the separate transaction price is allocated as discussed above.

Contract assets consist of unbilled earnings on grant contracts for which the approved expenses were incurred before year end. Based on historical experience with these grantors, the collection risk related to the unbilled amounts is low.

For non-exchange transactions, such as contributions, the Organization recognizes revenue on the accrual method in accordance with ASC 958-605. Revenue is recognized when the promises to give are made. All contributions are available for unrestricted use, unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give for the years ended December 31, 2020 or 2019.

Donations

Assets received as gifts are recorded at their fair market value on the date of the receipt. The value of donated services received that either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated are recorded as donated services. Professional services that met the criteria for recognition as donated services were $38,028 and $17,163 for the years ended December 31, 2020 and 2019. Professional services donated were for legal and other professional services.

Cash and Cash Equivalents

For purposes of the statements of cash flows, all investments purchased with a maturity date of three months or less are considered to be cash equivalents because they are highly liquid.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the determination in the change in net assets.

Grants Receivable

Grants receivable are recorded when the conditions in the grant have been met and the amounts are receivable from the grantors. The Organization has determined there are no significant financing components in these receivables for the years ended December 31, 2020 and 2019. There was no allowance for doubtful accounts for the years ended December 31, 2020 and 2019.

Resident Receivables

Residents are billed for various items according to their individual program profile such as rent. If the balances due from residents are greater than one year past due, they are fully reserved for by the Organization. The Organization has determined there are no significant financing components in these

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

receivables for the years ended December 31, 2020 and 2019. The allowance for doubtful accounts was $41,927 and $7,113, for the years ended December 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the useful lives of the assets. Property and equipment consists of land, buildings, furniture & equipment, and vehicles which have useful lives between five and forty years. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the current year's changes in net assets. Repairs and maintenance charges, which do not significantly extend the useful lives of the assets, are charged to expense as incurred, while major replacements and betterments are capitalized. Depreciation expense for the years ended December 31, 2020 and 2019 was $276,793 and $283,300, respectively.

Income Taxes

The Organization is a non-profit organization which has been determined by the Internal Revenue Service to be exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a private foundation. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities and remain open for examination for a period of three years after the respective filing deadlines of those returns.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of revenues, expenses and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services receiving the benefit.

SBA Paycheck Protection Program Loan

During the year ended December 31, 2020, the Organization received loan proceeds under the Paycheck Protection Program (PPP) from the Small Business Administration (SBA). The loan has conditions that must be met within a specified time from the date of receipt in order to be considered for forgiveness. This loan has been recorded as a restricted government grant. The transaction records related to funds spent by the Organization are subject to examination by the SBA and the SBA Inspector General for six years after the loan was approved.

Fair Value of Financial Instruments

The Organization's financial instruments, including current assets and current liabilities, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The Organization's investments and unconditional promises to give are carried at fair value.

2. ACCOUNTING POLICY CHANGES

Revenue Recognition

The Financial Accounting Standards Board (FASB) released ASU 2018-08 Not-for-Profit Entities in June 2018. This amendment clarifies current guidance for contributions received and contributions made regarding whether a transfer of assets is considered a contribution or an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendment is effective for fiscal years beginning after December 15, 2018, should be applied on a modified prospective basis, which means the update is applied to agreements that are either not completed as of the effective date or entered into after the effective date, and early adoption is permitted. The Organization has adopted this amendment for the year ended December 31, 2019. The adoption had no impact on the beginning balance of net assets as of January 1, 2019.

The Financial Accounting Standards Board (FASB) issued ASC Topic 606 (ASC 606) Revenue from Contracts with Customers in May 2014 and subsequently issued several related ASU's, which provide guidance for recognizing revenue from contracts with customers. The core principle of this new standard is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. This new standard is effective for annual periods beginning after December 15, 2018 and can be applied using either of two methods: retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Organization has adopted the amendment for the year ended December 31, 2019.

Transitional Disclosures for ASC 606

The Organization has elected to adopt ASC 606 using the modified retrospective transition approach, which resulted in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets at January 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under the previous revenue guidance.

As part of the adoption of ASC 606, the Organization has elected to use the following transition practical expedients: 1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and 2) ASC 606 is applied only to contracts that are not complete as of January 1, 2019. The Organization does not expect a significant impact as a result of electing these practical expedients. The adoption had no impact on the beginning balance of net assets as of January 1, 2019.

Investments

The Financial Accounting Standards Board (FASB) released ASU 2016-01 Financial Instruments in January 2016 and several related ASU’s that provide additional guidance. This amendment eliminates the requirement to classify investments as trading, held to maturity, or available for sale, and requires that investments in equity securities to be measured at fair value with changes in the fair value recognized in net income. The amendment allows equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment and requires enhanced disclosures about those investments. The amendment is effective for fiscal years beginning after December 15, 2018, should be applied by means

2. ACCOUNTING POLICY CHANGES *(continued)*

of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Organization has adopted this amendment for the year ended December 31, 2020.

3. FAIR VALUE MEASUREMENTS

The Organization applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements that are recognized and disclosed at fair value in the financial statements on a non-recurring basis. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants on the measurement date. ASC 820 also established a fair value hierarchy that requires the Organization to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market - corroborated inputs.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization estimated the fair value of it's investments at quoted market prices; accordingly, they are considered Level 1 fair values. There were no transfers in or out of Level 1 within the fair value hierarchy as of December 31, 2020 and 2019.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2020	2019
Building	$ 8,361,037	$ 8,361,037
Land	502,778	502,778
Furniture and equipment	471,212	485,728
Vehicles	96,547	96,547
Total cost	9,431,574	9,446,090
Accumulated depreciation	(1,730,758)	(1,500,626)
Property and equipment, net	$ 7,700,816	$ 7,945,464

Depreciation expense for the years ended December 31, 2020 and 2019 was $276,793 and $283,300, respectively.

5. LINE OF CREDIT

The Organization has available a line of credit with a borrowing capacity of $750,000 with a maturity date of April 2021. Interest is equal to the Prime Rate plus 0.7%. The line of credit is secured by the receivables and fixed assets of the Organization. There was no outstanding balance on the line of credit for the years ended December 31, 2020 and 2019, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	2020	2019
Mental health program	$ 30,000	$ -
Alumni case manager position	-	30,000
Building fund restrictions	2,769,243	3,021,007
Total	$ 2,799,243	$ 3,051,007

Net assets released from donor restrictions are as follows:

	2020	2019
Program service restrictions - education fund	$ -	$ 702
Building fund restrictions	252,764	271,472
SBA Paycheck Protection Program Grant	189,000	-
Alumni case manager position	30,000	-
COVID supplies and assistance	98,948	-
Rent assistance & resident transportation	3,284	-
Security cameras and equipment	29,219	-
Summer camp	-	21,858
STEM learning	-	12,500
Thanksgiving event	-	5,000
Salaries	-	8,500
Total	$ 603,215	$ 320,032

7. NET ASSETS LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2020	2019
Cash and cash equivalents	$ 776,479	$ 606,038
Unconditional promises to give	-	5,000
Grants receivable	-	60,250
Contract assets	54,841	60,250
Resident receivables	8,726	33,250
Total	$ 840,046	$ 764,788

7. NET ASSETS LIQUIDITY AND AVAILABILITY *(continued)*

The unconditional promises to give and receivables are subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain a cash balance to meet several months of operating expenses which were on average $139,734 and $130,891 per month for the years ended December 31, 2020 and 2019, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. INVESTMENT INCOME

Investment income consists of the following:

	2020	2019
Net realized and unrealized losses	$ 51,844	$ -
Dividends and interest	3,279	12
Less: fees paid	(2,563)	-
Total net return on investments	$ 52,560	$ 12

9. SBA PAYCHECK PROTECTION PROGRAM LOAN

During the year ended December 31, 2020, the Organization received a Paycheck Protection Program loan of $189,000 from the Small Business Administration applied for under the CARES Act. This is a forgivable loan as long as the following condition is met during the specified period: the Organization is required to spend a minimum of 75% of the loan proceeds on payroll costs, interest on mortgages, rent, and utilities. Loan payments are deferred to either the date the SBA remits the borrower's loan forgiveness amount to the lender or 10 months after the end of the borrower's loan forgiveness covered period if the borrower does not apply for loan forgiveness. The loans have a maturity date of two years from the date of receipt, and an interest rate of 1% if not forgiven. The loan is unsecured. As of December 31, 2020 the Organization has spent the loan proceeds received and is in accordance with the forgiveness condition through that date.

10. ALLOCATION OF JOINT COSTS

The Organization conducted activities that included requests for contributions, as well as program and supporting expenses. Those activities included a golf tournament, a gala, and a wine and dinner auction. The costs of conducting those activities included a total of $258,767 and $292,780 of joint costs, which are not specifically attributable to particular components of the activities for the years ended December 31, 2020 and 2019, respectively.

These joint costs were allocated as follows:

	2020	2019
Programs	$ 164,266	$ 196,724
Support	30,584	33,398
Fundraising	63,917	62,658
Total	$ 258,767	$ 292,780

11. OPERATING LEASES

The Organization leases office equipment under various lease agreements less than 12 months in length. Equipment rental expense for the years ended December 31, 2020 and 2019 was $5,400 and $5,400, respectively.

12. CONCENTRATIONS

Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents with federally insured financial institutions. At times during the year, the balances at these financial institutions exceeded the FDIC insured limit of $250,000.

Contributions

During the years ended December 31, 2020 and 2019, one donor contributed 41% and 13%, respectively of the revenue and support earned.

Events

During the year ended December 31, 2019, one event accounted for approximately 27% of revenue and support earned. There were no significant concentrations for events for the year ended December 31, 2020.

13. DISCONTINUED OPERATIONS

On March 31, 2020, the Organization ceased operations of the Early Childhood Development Center ("ECDC"). The decision to shut down operations was made as a result of consistent net losses realized and as a result of the COVID-19 pandemic. All of the remaining assets of ECDC as of December 31, 2020 will be transferred to and used by the remaining companies in the Organization.

14. EXTRAORDINARY EVENT

During the year ended December 31, 2020, there was a worldwide public health emergency declared related to COVID-19. The response to this public health emergency mandated by United States government officials included forced closures of various businesses and organizations for a length of time. These closures and the health emergency have affected normal day to day operations of the Organization, its donors, and its program, the impact of which still continues through the date these financial statements were issued. The related future financial impact on the Organization of these closures, changes in the program, and changes in donor behavior cannot be estimated at this time.

15. RECLASSIFICATIONS

Certain reclassifications have been made to the December 31, 2019 financial statement presentation to correspond to the current year’s format. Total net assets and changes in net assets remain unchanged due to these reclassifications.

16. DATE OF MANAGEMENT'S REVIEW

The Organization is not aware of any other significant events that occurred subsequent to the balance sheet date but prior to the issuance of this report that require adjustment to the financial statements or disclosure in the notes to the financial statements. Management has evaluated subsequent events as of October 3, 2021, the date on which the financial statements were available to be issued.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Directors
Rainbow Village, Inc.
Duluth, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Rainbow Village, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2021.

Internal Control Over Financial Reporting

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

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

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

1720 Peachtree Street, Suite 629
Atlanta, Georgia 30309
tel: 404-881-1229 | fax: 404-881-8658

6650 Sugarloaf Parkway, Suite 900
Duluth, Georgia 30097
tel: 770-476-1004 | fax: 770-476-0201

Compliance and Other Matters

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

Purpose of this Report

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

Wilson Lewis

October 3, 2021

1720 Peachtree Street, Suite 629
Atlanta, Georgia 30309
tel: 404-881-1229 | fax: 404-881-8658

6650 Sugarloaf Parkway, Suite 900
Duluth, Georgia 30097
tel: 770-476-1004 | fax: 770-476-0201