

RAINBOW VILLAGE,
INC. AND
SUBSIDIARIES
Duluth, Georgia

Consolidated Financial
Statements
December 31, 2015 and 2014

RAINBOW VILLAGE, INC. AND SUBSIDIARIES
DULUTH, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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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, 2015 and 2014, 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.

Auditors' 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, 2015 and 2014, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2016, 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.

A handwritten signature in blue ink that reads "M. Lewis".

June 8, 2016
Duluth, Georgia

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RAINBOW VILLAGE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 907,118	\$ 1,695,147
Investments	54,901	2,386
Unconditional promises to give	143,800	255,038
Grants and other receivables	42,912	21,498
Prepaid expenses	<u>22,648</u>	<u>11,618</u>
Total current assets	<u>1,171,379</u>	<u>1,985,687</u>
PROPERTY AND EQUIPMENT		
Construction in process	46,436	2,848,675
Property and equipment	7,674,035	3,218,490
Less: accumulated depreciation	<u>(450,008)</u>	<u>(301,441)</u>
Property and equipment, net	<u>7,270,463</u>	<u>5,765,724</u>
LONG-TERM ASSETS		
Unconditional promises to give, long-term, net	<u>141,872</u>	<u>129,594</u>
Total assets	<u>\$ 8,583,714</u>	<u>\$ 7,881,005</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,567	\$ 357,311
Accrued expenses	20,072	1,574
Current portion of capital lease obligation	<u>8,700</u>	<u>-</u>
Total current liabilities	<u>51,339</u>	<u>358,885</u>
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	<u>1,807</u>	<u>-</u>
Total long-term liabilities	<u>1,807</u>	<u>-</u>
NET ASSETS		
Unrestricted	5,366,312	5,294,497
Temporarily restricted	<u>3,164,256</u>	<u>2,227,623</u>
Total net assets	<u>8,530,568</u>	<u>7,522,120</u>
Total liabilities and net assets	<u>\$ 8,583,714</u>	<u>\$ 7,881,005</u>

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Contributions	\$ 605,439	\$ 77,703	\$ 683,142	\$ 414,115	\$ 106,491	\$ 520,606
Contributions - capital campaign	-	1,329,514	1,329,514	-	508,726	508,726
Grant revenue	298,000	-	298,000	273,699	-	273,699
Rental income	39,021	-	39,021	28,844	-	28,844
Other program income	28,809	-	28,809	202,181	-	202,181
Special events income	339,834	-	339,834	310,801	-	310,801
Investment income	<u>515</u>	<u>1,106</u>	<u>1,621</u>	<u>757</u>	<u>6,060</u>	<u>6,817</u>
Total revenue and support	<u>1,311,618</u>	<u>1,408,323</u>	<u>2,719,941</u>	<u>1,230,397</u>	<u>621,277</u>	<u>1,851,674</u>
Net assets released from restrictions	<u>471,690</u>	<u>(471,690)</u>	<u>-</u>	<u>216,462</u>	<u>(216,462)</u>	<u>-</u>
EXPENSES						
Program services	1,106,851	-	1,106,851	686,290	-	686,290
Supporting services	233,316	-	233,316	135,752	-	135,752
Fundraising	363,485	-	363,485	283,328	-	283,328
Loss on uncollectible pledges	7,500	-	7,500	-	-	-
Loss on disposal of assets	<u>341</u>	<u>-</u>	<u>341</u>	<u>350</u>	<u>-</u>	<u>350</u>
Total expenses	<u>1,711,493</u>	<u>-</u>	<u>1,711,493</u>	<u>1,105,720</u>	<u>-</u>	<u>1,105,720</u>
CHANGE IN NET ASSETS	71,815	936,633	1,008,448	341,139	404,815	745,954
NET ASSETS, beginning of year	<u>5,294,497</u>	<u>2,227,623</u>	<u>7,522,120</u>	<u>4,953,358</u>	<u>1,822,808</u>	<u>6,776,166</u>
NET ASSETS, end of year	<u>\$ 5,366,312</u>	<u>\$ 3,164,256</u>	<u>\$ 8,530,568</u>	<u>\$ 5,294,497</u>	<u>\$ 2,227,623</u>	<u>\$ 7,522,120</u>

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2015 and 2014

	2015				2014			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
OPERATING EXPENSES								
Bank / merchant fees	\$ -	\$ 588	\$ 1,874	\$ 2,462	\$ -	\$ 7,624	\$ -	\$ 7,624
Conference and meetings	85	1,646	717	2,448	-	3,237	-	3,237
Depreciation	126,282	22,285	-	148,567	74,180	13,090	-	87,270
Equipment rental	3,611	774	774	5,159	4,142	888	887	5,917
Insurance	15,297	14,574	-	29,871	15,679	6,720	-	22,399
Memberships	1,342	5,609	525	7,476	1,916	1,916	-	3,832
Office	14,979	2,776	38,687	56,442	9,300	9,300	-	18,600
Postage	77	1,899	769	2,745	5,088	2,180	30	7,298
Printing and reproduction	255	521	2,066	2,842	-	-	3,007	3,007
Professional fees	25,587	29,190	840	55,617	24,386	8,128	-	32,514
Promotional materials and service	-	-	14,718	14,718	-	-	22,969	22,969
Rent	-	-	-	-	1,278	274	274	1,826
Repairs and maintenance	94,697	5,665	743	101,105	35,453	7,597	7,597	50,647
Special events	192	2,210	77,247	79,649	-	-	71,747	71,747
Supplies	27,341	12,114	1,422	40,877	3,277	3,277	136	6,690
Technology	11,860	10,744	95	22,699	5,695	3,797	-	9,492
Telephone	13,863	5,497	1,273	20,633	2,511	2,511	1,674	6,696
Utilities	48,975	9,680	-	58,655	28,586	9,528	-	38,114
Total operating expenses	<u>384,443</u>	<u>125,772</u>	<u>141,750</u>	<u>651,965</u>	<u>211,491</u>	<u>80,067</u>	<u>108,321</u>	<u>399,879</u>
PERSONNEL COSTS								
Salaries	537,109	96,602	183,813	817,524	290,165	49,305	135,103	474,573
Employee benefits	12,992	171	17,139	30,302	37,212	-	9,763	46,975
Payroll taxes	49,335	9,365	15,969	74,669	31,038	5,477	14,590	51,105
Pension	16,759	-	3,868	20,627	5,184	-	15,551	20,735
Professional development	1,537	606	946	3,089	903	903	-	1,806
Total personnel costs	<u>617,732</u>	<u>106,744</u>	<u>221,735</u>	<u>946,211</u>	<u>364,502</u>	<u>55,685</u>	<u>175,007</u>	<u>595,194</u>
DIRECT PROGRAM COSTS								
Children and youth	27,678	-	-	27,678	33,160	-	-	33,160
Case management and adult	76,998	800	-	77,798	77,137	-	-	77,137
Total direct program costs	<u>104,676</u>	<u>800</u>	<u>-</u>	<u>105,476</u>	<u>110,297</u>	<u>-</u>	<u>-</u>	<u>110,297</u>
Total expenses	<u>\$ 1,106,851</u>	<u>\$ 233,316</u>	<u>\$ 363,485</u>	<u>\$ 1,703,652</u>	<u>\$ 686,290</u>	<u>\$ 135,752</u>	<u>\$ 283,328</u>	<u>\$ 1,105,370</u>

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,008,448	\$ 745,954
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	148,567	87,270
Loss on disposal of assets	-	2,050
Loss on promises written off	7,500	-
Donated services	(324,083)	50,000
Amortization of discount on promises to give	185	3,456
(Increase) decrease in assets:		
Promises to give	91,275	274,055
Grants and other receivables	(21,415)	9,160
Prepaid expenses	(11,030)	(192)
Increase (decrease) in liabilities:		
Accounts payable	(334,745)	198,118
Accrued expenses	<u>18,498</u>	<u>-</u>
Total adjustments	<u>(425,248)</u>	<u>623,917</u>
Net cash provided by operating activities	<u>583,200</u>	<u>1,369,871</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,267,009)	(50,000)
Construction in progress	(46,436)	(2,056,475)
Purchase of investments	(52,515)	-
Redemption of investments	<u>-</u>	<u>836,698</u>
Net cash used in investing activities	<u>(1,365,960)</u>	<u>(1,269,777)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	<u>(5,269)</u>	<u>-</u>
Net cash used in financing activities	<u>(5,269)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(788,029)	100,094
Cash and cash equivalents, beginning of year	<u>1,695,147</u>	<u>1,595,053</u>
Cash and cash equivalents, end of year	<u>\$ 907,118</u>	<u>\$ 1,695,147</u>

SUPPLEMENTAL NON-CASH INVESTING AND FINANCING TRANSACTIONS

During 2015, the Organization reclassified \$2,802,239 of construction in progress to property and equipment. During 2015, the Organization purchased equipment totaling \$15,776 under capital lease obligations which resulted in an increase in property and equipment and capital lease obligations.

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

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 twelve families serving an average of 50 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.

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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. As of December 31, 2015 and 2014, unrestricted net assets were \$5,366,312 and \$5,294,497, respectively.

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

Temporarily restricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted net assets were \$3,164,256 and \$2,227,623 for the years ended December 31, 2015 and 2014, respectively.

Permanently restricted net assets are amounts subject to donor-imposed stipulations that require the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of December 31, 2015 and 2014.

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

The Organization generates revenue from contributions, grants, special events, and rental income. Contributions and unconditional promises to give are recognized at the earlier of when the promises to give are made or the cash is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be received in the following year are recorded at their net realizable value and those due in more than one year are reflected at the present value of estimated future cash flows. Restricted contributions are recorded as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no conditional promises to give for the years ended December 31, 2015 and 2014.

Grant revenue represents reimbursements of grant-related expenses. It includes both billed and un-billed receivables. Grant revenue is recognized when the related expenses have been incurred.

Revenue from the sale of tickets to special events and revenue from the sale of auction items at the events are recognized after the special event has occurred.

Revenue from rental income is recognized as it is received.

Donations

Marketable equity securities and other 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 \$410,260 and \$86,408 for the years ended December 31, 2015 and 2014. Professional services donated were for construction consulting, payroll tax, and legal services.

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

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.

Promises to Give

Promises to give are recorded at the amount the Organization expects to collect on donations and pledges made. Unconditional promises to give are recognized in the statement of activities in the period received. Promises to be received after one year are discounted at an appropriate discount rate based on management's estimate of the risks involved. Amortization of the discount is recorded annually as additional contribution revenue. Management closely monitors promises to give and reserves for, as of year end, any balances that are considered to be uncollectible. Management will write off any promises to give that remain outstanding after reasonable collection efforts have been used. Based on the history of collecting these promises to give, there was no allowance for doubtful accounts as of December 31, 2015 and 2014.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities 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.

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, 2015 and 2014 was \$148,567 and \$87,270, respectively.

Accounts Payable

The Organization includes in current liabilities amounts payable under construction contracts (principally retainage) that may extend beyond one year. A one-year period is used as the basis for classifying all other current liabilities.

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.

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

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.

Fair Value of Financial Instruments

The Organization's financial instruments, including cash and cash equivalents, grants and other receivables, and accounts payable, 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. 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 its investments at quoted market prices; accordingly, they are considered Level 1 fair values. Promises to give are stated at their estimated present value using appropriate rates of return and are considered Level 2 fair values. There were no transfers in or out of Level 1 or 2 within the fair value hierarchy as of December 31, 2015 and 2014.

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

3. PROMISES TO GIVE

Unconditional promises to give consisted of the following:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give, current	\$ 143,800	\$ 255,038
Unconditional promises to give, long-term	<u>144,000</u>	<u>131,537</u>
Total	287,800	386,575
Present value discount at 1.5%	<u>(2,128)</u>	<u>(1,943)</u>
Unconditional promises to give, net	<u>\$ 285,672</u>	<u>\$ 384,632</u>

Collections on promises to give are scheduled to be paid as follows:

2016	\$ 143,800
2017	<u>144,000</u>
Total	<u>\$ 287,800</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Building	\$ 6,617,917	\$ 2,486,071
Land	502,778	502,778
Furniture and equipment	430,428	106,729
Vehicles	<u>122,912</u>	<u>122,912</u>
Total cost	7,674,035	3,218,490
Accumulated depreciation	<u>(450,008)</u>	<u>(301,441)</u>
Property and equipment, net	<u>\$ 7,224,027</u>	<u>\$ 2,917,049</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$148,567 and \$87,270, respectively.

5. ACCOUNTS PAYABLE

Accounts payable consists of the following:

	<u>2015</u>	<u>2014</u>
Accounts payable	\$ 22,567	\$ 130,676
Retainage payable	<u>-</u>	<u>226,635</u>
Total	<u>\$ 22,567</u>	<u>\$ 357,311</u>

RAINBOW VILLAGE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

6. LINE OF CREDIT

The Organization has a line of credit available with a local bank. The borrowing capacity under the line of credit is \$700,000 and expired on December 31, 2015. Interest is payable monthly at the bank's prime rate. The line of credit is secured with the real estate built under the capital campaigns and the pledges receivable. The Company had a line of credit available with a local bank with a borrowing capacity of \$150,000 that expired on December 5, 2015. There were no outstanding balances on these lines of credit at December 31, 2015 and 2014.

7. CAPITAL LEASE OBLIGATION

Capital lease obligation consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable at 0.00% interest in monthly installments of \$257 through March 2017. Secured by equipment.	\$ 3,600	\$ -
Note payable at 0.00% interest in monthly installments of \$345 through March 2017. Secured by equipment.	<u>6,907</u>	<u>-</u>
Total	10,507	-
Less: current portion	<u>(8,700)</u>	<u>-</u>
Total long-term capital lease obligation	<u>\$ 1,807</u>	<u>\$ -</u>

The following is a schedule of future minimum principal payments under the capital lease obligations:

2016	\$ 8,700
2017	<u>1,807</u>
Total minimum payments	<u>\$ 10,507</u>

Equipment under capital lease obligations consists of the following:

	<u>2015</u>	<u>2014</u>
Property and equipment	\$ 15,776	\$ -
Accumulated depreciation	<u>(2,629)</u>	<u>-</u>
	<u>\$ 13,147</u>	<u>\$ -</u>

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Program service restrictions	\$ 79,926	\$ 88,002
Building fund restrictions	<u>3,084,330</u>	<u>2,139,621</u>
Total	<u>\$ 3,164,256</u>	<u>\$ 2,227,623</u>

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

8. TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets released from donor restrictions are as follows:

	<u>2015</u>	<u>2014</u>
Program service restrictions	\$ 85,780	\$ 79,802
Building fund restrictions	<u>385,910</u>	<u>136,660</u>
Total	<u>\$ 471,690</u>	<u>\$ 216,462</u>

9. INVESTMENT INCOME

Investment income consists of the following:

	<u>2015</u>	<u>2014</u>
Net realized and unrealized losses	\$ -	\$ (58)
Dividends and interest	<u>1,621</u>	<u>6,875</u>
Total return on investments	<u>\$ 1,621</u>	<u>\$ 6,817</u>

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 \$571,964 and \$236,906 of joint costs, which are not specifically attributable to particular components of the activities for the years ended December 31, 2015 and 2014, respectively.

These joint costs were allocated as follows:

	<u>2015</u>	<u>2014</u>
Fundraising	\$ 38,825	\$ 178,851
Programs	395,954	51,883
Support	<u>137,185</u>	<u>6,172</u>
Total	<u>\$ 571,964</u>	<u>\$ 236,906</u>

11. PENSION PLAN

The Organization participates with other organizations in The Church Pension Fund Clergy Pension Plan (Church Pension Fund). The Church Pension Fund provides retirement, death and disability benefits for eligible clergy of The Episcopal Church.

The Church Pension Fund qualifies as a church plan under Section 414(e) of the Internal Revenue Code and is not subject to the Employee Retirement Income and Security Act (ERISA) of 1974. The risks of participating in a multi-employer defined benefit pension plan do not extend to Church pension plans.

Total contributions made by the Organization to the Church Pension Fund were \$20,627 and \$20,735 for the years ended December 31, 2015 and 2014. The Church Pension Fund plan number is 005. The plan was at least 80% funded as of December 31, 2015 and 2014. The Organization did not provide more than 5% of the total contributions by all contributing employers to the above funds.

For the plan year ended March 31, 2016, the plan has total assets available for pension benefits of \$8.30

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11. PENSION PLAN *(continued)*

billion, the actuarial present value of the accumulated plan benefit obligations were \$6.72 billion, and the total contributions received by the plan from all employers was \$100 million.

For the plan year ended March 31, 2015, the plan has total assets available for pension benefits of \$8.36 billion, the actuarial present value of the accumulated plan benefit obligations were \$6.94 billion, and the total contributions received by the plan from all employers was \$102 million.

12. OPERATING LEASE

The Organization leases equipment under various lease agreements. The lease agreements expire on various dates through May 2016. The rental expense per month is \$1,037. Future minimum rental commitments under these operating leases is as follows:

2016	\$ <u>2,095</u>
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Total equipment rental expense for the years ended December 31, 2015 and 2014 was \$5,159 and \$5,917, respectively.

13. CONCENTRATIONS

Cash

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 year ended December 31, 2014, two donors contributed 26% of the revenue and support earned. This donor accounted for approximately 4% of unconditional promises to give at December 31, 2014. There were no significant donors for the year ended December 31, 2015.

Events

During the year ended December 31, 2015, one event accounted for approximately 10% of revenue and support earned.

During the year ended December 31, 2014, one event accounted for approximately 14% of revenue and support earned.

14. RECLASSIFICATIONS

Certain reclassifications have been made to the December 31, 2014 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

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15. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through June 8, 2016, the date on which the financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the report date but prior to the filing of this report that would have a material impact on the financial statements.

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, 2015 and 2014, 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 June 8, 2016.

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.

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.

A handwritten signature in blue ink that reads "M. Lewis".

June 8, 2016
Duluth, Georgia