# RAINBOW VILLAGE, INC. AND SUBSIDIARIES

***Duluth, Georgia***

## Consolidated Financial Statements

***December 31, 2016 and 2015***

RAINBOW VILLAGE, INC. AND SUBSIDIARIES
DULUTH, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 July 13, 2017, 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.

Wilson Lewis

July 13, 2017
Duluth, Georgia
Wilson Lewis

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RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 510,193 | $ 907,118 |
| Investments | - | 54,901 |
| Unconditional promises to give | 178,350 | 143,800 |
| Grants and other receivables | 43,693 | 42,912 |
| Prepaid expenses | 23,800 | 22,648 |
| Total current assets | 756,036 | 1,171,379 |
| PROPERTY AND EQUIPMENT | | |
| Construction in process | 1,741,967 | 46,436 |
| Property and equipment | 7,702,119 | 7,674,035 |
| Less: accumulated depreciation | (689,591) | (450,008) |
| Property and equipment, net | 8,754,495 | 7,270,463 |
| LONG-TERM ASSETS | | |
| Unconditional promises to give, long-term, net | 152,709 | 141,872 |
| Total assets | $ 9,663,240 | $ 8,583,714 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES | | |
| Line of credit | $ 100,000 | $ - |
| Accounts payable | 416,253 | 22,554 |
| Accrued expenses | 36,040 | 20,085 |
| Current portion of capital lease obligations | 2,345 | 8,700 |
| Total current liabilities | 554,638 | 51,339 |
| LONG-TERM LIABILITIES | | |
| Capital lease obligations, net of current portion | - | 1,807 |
| Line of credit | 440,000 | - |
| Total long-term liabilities | 440,000 | 1,807 |
| NET ASSETS | | |
| Unrestricted | 5,126,320 | 5,366,312 |
| Temporarily restricted | 3,542,282 | 3,164,256 |
| Total net assets | 8,668,602 | 8,530,568 |
| Total liabilities and net assets | $ 9,663,240 | $ 8,583,714 |

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2016 and 2015

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| REVENUE AND SUPPORT | | | | | | |
| Contributions | $ 732,431 | $ 42,557 | $ 774,988 | $ 605,439 | $ 77,703 | $ 683,142 |
| Contributions - capital campaign | - | 699,634 | 699,634 | - | 1,329,514 | 1,329,514 |
| Grant revenue | 164,562 | - | 164,562 | 298,000 | - | 298,000 |
| Rental income | 39,299 | - | 39,299 | 39,021 | - | 39,021 |
| ECDC program fees | 61,791 | - | 61,791 | 3,671 | - | 3,671 |
| Other program income | 54,484 | - | 54,484 | 25,138 | - | 25,138 |
| Special events income | 330,573 | - | 330,573 | 339,834 | - | 339,834 |
| Investment income | 130 | 4,975 | 5,105 | 515 | 1,106 | 1,621 |
| Total revenue and support | 1,383,270 | 747,166 | 2,130,436 | 1,311,618 | 1,408,323 | 2,719,941 |
| Net assets released from restrictions | 369,140 | (369,140) | - | 471,690 | (471,690) | - |
| EXPENSES | | | | | | |
| Program services | 1,370,686 | - | 1,370,686 | 1,106,851 | - | 1,106,851 |
| Supporting services | 253,295 | - | 253,295 | 233,316 | - | 233,316 |
| Fundraising | 368,421 | - | 368,421 | 363,485 | - | 363,485 |
| Loss on uncollectible pledges | - | - | - | 7,500 | - | 7,500 |
| Loss (gain) on disposal of assets | - | - | - | 341 | - | 341 |
| Total expenses | 1,992,402 | - | 1,992,402 | 1,711,493 | - | 1,711,493 |
| CHANGE IN NET ASSETS | (239,992) | 378,026 | 138,034 | 71,815 | 936,633 | 1,008,448 |
| NET ASSETS, beginning of year | 5,366,312 | 3,164,256 | 8,530,568 | 5,294,497 | 2,227,623 | 7,522,120 |
| NET ASSETS, end of year | $ 5,126,320 | $ 3,542,282 | $ 8,668,602 | $ 5,366,312 | $ 3,164,256 | $ 8,530,568 |

See accompanying notes and independent auditor's report.

# RAINBOW VILLAGE, INC.

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2016 and 2015

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Program Services | Supporting Services | Fundraising | Total | Program Services | Supporting Services | Fundraising | Total |
| OPERATING EXPENSES | | | | | | | | |
| Bank / merchant fees | $ 962 | $ 2,815 | $ 1,338 | $ 5,115 | $ - | $ 588 | $ 1,874 | $ 2,462 |
| Conference and meetings | 1,488 | 238 | 105 | 1,831 | 85 | 1,646 | 717 | 2,448 |
| Depreciation | 192,374 | 47,209 | - | 239,583 | 126,282 | 22,285 | - | 148,567 |
| Equipment rental | 691 | 5,758 | - | 6,449 | 3,611 | 774 | 774 | 5,159 |
| Insurance | 28,669 | 17,219 | 428 | 46,316 | 15,297 | 14,574 | - | 29,871 |
| Memberships | 1,517 | 5,134 | 1,903 | 8,554 | 1,342 | 5,609 | 525 | 7,476 |
| Office | 35,501 | 5,978 | 850 | 42,329 | 14,979 | 2,776 | 38,687 | 56,442 |
| Postage | 1,039 | 1,157 | 83 | 2,279 | 77 | 1,899 | 769 | 2,745 |
| Printing and reproduction | 661 | 4 | 575 | 1,240 | 255 | 521 | 2,066 | 2,842 |
| Professional fees | 57,310 | 37,679 | 39,903 | 134,892 | 25,587 | 29,190 | 840 | 55,617 |
| Promotional materials and service | 2,315 | 718 | 12,111 | 15,144 | - | - | 14,718 | 14,718 |
| Repairs and maintenance | 76,319 | 7,185 | - | 83,504 | 94,697 | 5,665 | 743 | 101,105 |
| Special events | 1,735 | 295 | 144,542 | 146,572 | 192 | 2,210 | 77,247 | 79,649 |
| Supplies | 41,169 | 11,618 | 1,159 | 53,946 | 27,341 | 12,114 | 1,422 | 40,877 |
| Technology | 14,999 | 10,586 | 902 | 26,487 | 11,860 | 10,744 | 95 | 22,699 |
| Telephone | 15,764 | 5,716 | 563 | 22,043 | 13,863 | 5,497 | 1,273 | 20,633 |
| Utilities | 74,572 | 11,869 | - | 86,441 | 48,975 | 9,680 | - | 58,655 |
| Total operating expenses | 547,085 | 171,178 | 204,462 | 922,725 | 384,443 | 125,772 | 141,750 | 651,965 |
| PERSONNEL COSTS | | | | | | | | |
| Salaries | 698,049 | 74,675 | 142,091 | 914,815 | 537,109 | 96,602 | 183,813 | 817,524 |
| Employee benefits | 16,659 | 48 | 4,756 | 21,463 | 12,992 | 171 | 17,139 | 30,302 |
| Payroll taxes | 57,866 | 6,996 | 11,930 | 76,792 | 49,335 | 9,365 | 15,969 | 74,669 |
| Pension | 16,480 | - | 4,882 | 21,362 | 16,759 | - | 3,868 | 20,627 |
| Professional development | 802 | 17 | 280 | 1,099 | 1,537 | 606 | 946 | 3,089 |
| Total personnel costs | 789,856 | 81,736 | 163,939 | 1,035,531 | 617,732 | 106,744 | 221,735 | 946,211 |
| DIRECT PROGRAM COSTS | | | | | | | | |
| Children and youth | 20,260 | - | - | 20,260 | 27,678 | - | - | 27,678 |
| Case management and adult | 13,485 | 381 | 20 | 13,886 | 76,998 | 800 | - | 77,798 |
| Total direct program costs | 33,745 | 381 | 20 | 34,146 | 104,676 | 800 | - | 105,476 |
| Total expenses | $ 1,370,686 | $ 253,295 | $ 368,421 | $ 1,992,402 | $ 1,106,851 | $ 233,316 | $ 363,485 | $ 1,703,652 |

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 138,034 | $ 1,008,448 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 239,583 | 148,567 |
| Gain on sale of investments | (4,263) | - |
| Loss on disposal of assets | - | 341 |
| Loss on promises written off | - | 7,500 |
| Donated services | (37,500) | (324,083) |
| Amortization of discount on promises to give | 163 | 185 |
| (Increase) decrease in assets: | | |
| Promises to give | (45,550) | 91,275 |
| Grants and other receivables | (781) | (21,415) |
| Prepaid expenses | (1,152) | (11,030) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 393,698 | (334,745) |
| Accrued expenses | 15,956 | 18,498 |
| Total adjustments | 560,154 | (424,907) |
| Net cash provided by operating activities | 698,188 | 583,541 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (28,084) | (1,267,350) |
| Construction in progress | (1,658,031) | (46,436) |
| Purchase of investments | (5,808) | (52,515) |
| Proceeds from sale of investments | 64,972 | - |
| Net cash used in investing activities | (1,626,951) | (1,366,301) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on capital lease obligations | (8,162) | (5,269) |
| Advances on lines of credit | 540,000 | - |
| Net cash provided by (used in) financing activities | 531,838 | (5,269) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (396,925) | (788,029) |
| Cash and cash equivalents, beginning of year | 907,118 | 1,695,147 |
| Cash and cash equivalents, end of year | $ 510,193 | $ 907,118 |

SUPPLEMENTAL NON-CASH INVESTING AND FINANCING TRANSACTIONS

During 2015, the Organization reclassed $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.

## 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.

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, 2016 and 2015, unrestricted net assets were $5,126,320 and $5,366,312, respectively.

**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 $3,542,282 and $3,164,256 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015.

*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, 2016 and 2015.

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.

Rental revenue from housing and weekly fees related to use of the Early Childhood Development Center are recognized as they are 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 $71,659 and $400,417 for the years ended December 31, 2016 and 2015. Professional services donated were for construction consulting, payroll tax, and legal services. The value of items donated for auction at special events held during the year were $52,802 for the year ended December 31, 2016.

## 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, 2016 and 2015.

*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, 2016 and 2015 was $239,583 and $148,567, 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

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

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.

*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. 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.

Fair Value Measurements at the End of the Reporting Period Using

| | 2016 | 2015 |
|---|---|---|
| Recurring fair value measurements | Quoted Prices in Active Markets for Identical Assets (Level 1) | Quoted Prices in Active Markets for Identical Assets (Level 1) |
| Marketable securities: | | |
| Equity securities | $ - | $ 24,859 |
| Other | - | 30,042 |
| Total recurring fair value measurements | $ - | $ 54,901 |

**2. FAIR VALUE MEASUREMENTS *(continued)***

The Organization estimated the fair value of it's 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, 2016 and 2015.

**3. PROMISES TO GIVE**

Unconditional promises to give consisted of the following:

| | 2016 | 2015 |
|---|---|---|
| Unconditional promises to give, current | $ 178,350 | $ 143,800 |
| Unconditional promises to give, long-term | 155,000 | 144,000 |
| Total | 333,350 | 287,800 |
| Present value discount at 1.5% | (2,291) | (2,128) |
| Unconditional promises to give, net | $ 331,059 | $ 285,672 |

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

| | |
|---|---|
| 2017 | $ 178,350 |
| 2018 | 57,500 |
| 2019 | 57,500 |
| 2020 | 20,000 |
| 2021 and thereafter | 20,000 |
| Total | $ 333,350 |

**4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

| | 2016 | 2015 |
|---|---|---|
| Building | $ 6,617,917 | $ 6,617,917 |
| Land | 502,778 | 502,778 |
| Furniture and equipment | 458,512 | 430,428 |
| Vehicles | 122,912 | 122,912 |
| Total cost | 7,702,119 | 7,674,035 |
| Accumulated depreciation | (689,591) | (450,008) |
| Property and equipment, net | $ 7,012,528 | $ 7,224,027 |

Depreciation expense for the years ended December 31, 2016 and 2015 was $239,583 and $148,567, respectively.

## 5. ACCOUNTS PAYABLE

Accounts payable consists of the following:

| | 2016 | 2015 |
|---|---|---|
| Accounts payable | $ 253,903 | $ 22,553 |
| Retainage payable | 162,350 | - |
| Total | $ 416,253 | $ 22,553 |

## 6. LINES OF CREDIT

Lines of credit consist of the following:

| | 2016 | 2015 |
|---|---|---|
| Line of credit with a borrowing capacity of $200,000 and interest at the bank's prime rate. The line of credit has a maturity date of December 5, 2017 and is secured by real estate built under the capital campaigns. Interest was 3.75% and 3.25% at December 31, 2016 and 2015, respectively. | $ 100,000 | $ - |
| Line of credit with a borrowing capacity of $750,000 and interest at the bank's prime rate the line of credit has a maturity date of December 5, 2017 and is secured by real estate built under the capital campaigns. Interest was 4.25% and 3.75% at December 31, 2016 and 2015, respectively. | 440,000 | - |
| Total | 540,000 | - |
| Less: current portion | (100,000) | - |
| Total long-term lines of credit | $ 440,000 | $ - |

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

| | |
|---|---|
| 2017 | $ 100,000 |
| 2018 | 440,000 |
| Total minimum payments | $ 540,000 |

## 7. CAPITAL LEASE OBLIGATIONS

Capital lease obligations consists of the following:

| | 2016 | 2015 |
|---|---|---|
| Note payable due in monthly installments of $273 through January 2017. Secured by equipment. | $ 273 | $ 3,600 |

**7. CAPITAL LEASE OBLIGATION *(continued)***

| | 2016 | 2015 |
|---|---|---|
| Note payable due in monthly installments of $345 through June 2017. Secured by equipment. | $ 2,072 | $ 6,907 |
| Total | 2,345 | 10,507 |
| Less: current portion | (2,345) | (8,700) |
| Total long-term capital lease obligation | $ - | $ 1,807 |

Equipment under capital lease obligations consists of the following:

| | 2016 | 2015 |
|---|---|---|
| Property and equipment | $ 15,776 | $ 15,776 |
| Accumulated depreciation | (5,784) | (2,629) |
| | $ 9,992 | $ 13,147 |

**8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

| | 2016 | 2015 |
|---|---|---|
| Program service restrictions | $ 13,557 | $ 79,926 |
| Building fund restrictions | 3,528,725 | 3,084,330 |
| Total | $ 3,542,282 | $ 3,164,256 |

Net assets released from donor restrictions are as follows:

| | 2016 | 2015 |
|---|---|---|
| Program service restrictions | $ 108,926 | $ 85,780 |
| Building fund restrictions | 260,214 | 385,910 |
| Total | $ 369,140 | $ 471,690 |

**9. INVESTMENT INCOME**

Investment income consists of the following:

| | 2016 | 2015 |
|---|---|---|
| Net realized and unrealized losses | $ 4,263 | $ - |
| Dividends and interest | 842 | 1,621 |
| Total return on investments | $ 5,105 | $ 1,621 |

**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 $304,966 and $571,964 of joint costs, which are not specifically attributable to particular components of the activities for the years ended December 31, 2016 and 2015, respectively.

**10. ALLOCATION OF JOINT COSTS *(continued)***

These joint costs were allocated as follows:

| | 2016 | 2015 |
|---|---|---|
| Programs | $ 151,805 | $ 395,954 |
| Support | 96,870 | 137,185 |
| Fundraising | 56,291 | 38,825 |
| Total | $ 304,966 | $ 571,964 |

**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 $21,362 and $20,627 for the years ended December 31, 2016 and 2015. The Church Pension Fund plan number is 005. The plan was at least 80% funded as of December 31, 2016 and 2015. 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, 2017, the plan has total assets available for pension benefits of $9.30 billion, the actuarial present value of the accumulated plan benefit obligations were $6.50 billion, and the total contributions received by the plan from all employers was $97 million.

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

**12. 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, 2015, two donors contributed 26% of the revenue and support earned. This donor accounted for approximately 4% of unconditional promises to give at December 31, 2015. There were no significant donors for the year ended December 31, 2016.

**12. CONCENTRATIONS *(continued)***

Events

During the years ended December 31, 2016 and 2015, one event accounted for approximately 10% of revenue and support earned.

**13. DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through July 13, 2017, 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*

WILSON LEWIS
CERTIFIED PUBLIC ACCOUNTANTS

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, 2016 and 2015, 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 July 13, 2017.

**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.

Wilson Lewis

July 13, 2017
Duluth, Georgia
Wilson Lewis

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