

RAINBOW VILLAGE,
INC. AND
SUBSIDIARIES
Duluth, Georgia

Consolidated Financial
Statements
December 31, 2017 and 2016

RAINBOW VILLAGE, INC. AND SUBSIDIARIES
DULUTH, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 October 17, 2018, 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 "Wilson Lewis".

October 17, 2018
Duluth, Georgia

RAINBOW VILLAGE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 169,881	\$ 510,193
Unconditional promises to give	45,000	178,350
Grants and other receivables	91,909	43,693
Prepaid expenses	<u>28,514</u>	<u>23,800</u>
Total current assets	<u>335,304</u>	<u>756,036</u>
PROPERTY AND EQUIPMENT		
Construction in process	-	1,741,967
Property and equipment	9,459,597	7,702,119
Less: accumulated depreciation	<u>(957,682)</u>	<u>(689,591)</u>
Property and equipment, net	<u>8,501,915</u>	<u>8,754,495</u>
LONG-TERM ASSETS		
Unconditional promises to give, long-term, net	<u>93,596</u>	<u>152,709</u>
Total assets	<u>\$ 8,930,815</u>	<u>\$ 9,663,240</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 130,000	\$ 100,000
Accounts payable	14,461	416,253
Accrued expenses	46,010	31,235
Resident deposits and savings	4,805	4,805
Current portion of capital lease obligations	<u>-</u>	<u>2,345</u>
Total current liabilities	<u>195,276</u>	<u>554,638</u>
LONG-TERM LIABILITIES		
Line of credit	<u>-</u>	<u>440,000</u>
Total long-term liabilities	<u>-</u>	<u>440,000</u>
NET ASSETS		
Net assets - without donor restrictions	5,158,743	5,126,320
Net assets - with donor restrictions	<u>3,576,796</u>	<u>3,542,282</u>
Total net assets	<u>8,735,539</u>	<u>8,668,602</u>
Total liabilities and net assets	<u>\$ 8,930,815</u>	<u>\$ 9,663,240</u>

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2017 and 2016

	2017			2016		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 1,042,068	\$ -	\$ 1,042,068	\$ 732,431	\$ 42,557	\$ 774,988
Contributions - capital campaign	-	302,460	302,460	-	699,634	699,634
Grant revenue	117,698	-	117,698	164,562	-	164,562
Rental income	40,936	-	40,936	39,299	-	39,299
ECDC program fees	131,801	-	131,801	61,791	-	61,791
Other program income	38,513	-	38,513	54,484	-	54,484
Special events income	320,006	-	320,006	330,573	-	330,573
Investment income	74	18	92	130	4,975	5,105
Total revenue and support	1,691,096	302,478	1,993,574	1,383,270	747,166	2,130,436
Net assets released from restrictions	267,964	(267,964)	-	369,140	(369,140)	-
EXPENSES						
Program services	1,163,609	-	1,163,609	1,370,686	-	1,370,686
Supporting services	487,590	-	487,590	253,295	-	253,295
Fundraising	275,437	-	275,437	368,421	-	368,421
Total expenses	1,926,636	-	1,926,636	1,992,402	-	1,992,402
CHANGE IN NET ASSETS	32,424	34,514	66,938	(239,992)	378,026	138,034
NET ASSETS, beginning of year	5,126,319	3,542,282	8,668,601	5,366,312	3,164,256	8,530,568
NET ASSETS, end of year	\$ 5,158,743	\$ 3,576,796	\$ 8,735,539	\$ 5,126,320	\$ 3,542,282	\$ 8,668,602

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2017 and 2016

	2017				2016			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
OPERATING EXPENSES								
Bank / merchant fees	\$ 24	\$ 1,953	\$ 9,588	\$ 11,565	\$ 962	\$ 2,815	\$ 1,338	\$ 5,115
Bad debt	7,500	-	-	7,500	-	-	-	-
Conference and meetings	1,162	1,463	107	2,732	1,488	238	105	1,831
Depreciation	227,876	40,214	-	268,090	192,374	47,209	-	239,583
Equipment rental	250	3,823	674	4,747	691	5,758	-	6,449
Insurance	31,155	11,194	466	42,815	28,669	17,219	428	46,316
Interest	19,725	-	-	19,725	-	-	-	-
Memberships	2,953	4,464	275	7,692	1,517	5,134	1,903	8,554
Office	20,475	17,501	784	38,760	35,501	5,978	850	42,329
Postage	175	968	591	1,734	1,039	1,157	83	2,279
Printing and reproduction	340	701	3,783	4,824	661	4	575	1,240
Professional fees	24,150	88,050	56,996	169,196	57,310	37,679	39,903	134,892
Promotional materials and service	2,200	-	1,690	3,890	2,315	718	12,111	15,144
Repairs and maintenance	37,807	5,102	1,073	43,982	76,319	7,185	-	83,504
Special events	3,998	-	65,256	69,254	1,735	295	144,542	146,572
Supplies	17,161	3,809	831	21,801	41,169	11,618	1,159	53,946
Technology	12,192	13,401	2,208	27,801	14,999	10,586	902	26,487
Telephone	22,284	7,034	1,953	31,271	15,764	5,716	563	22,043
Utilities	67,855	6,186	1,250	75,291	74,572	11,869	-	86,441
Total operating expenses	<u>499,282</u>	<u>205,863</u>	<u>147,525</u>	<u>852,670</u>	<u>547,085</u>	<u>171,178</u>	<u>204,462</u>	<u>922,725</u>
PERSONNEL COSTS								
Salaries	559,743	224,338	118,077	902,158	698,049	74,675	142,091	914,815
Employee benefits	21,126	11,343	1,003	33,472	16,659	48	4,756	21,463
Payroll taxes	41,718	23,974	8,832	74,524	57,866	6,996	11,930	76,792
Pension	-	22,047	-	22,047	16,480	-	4,882	21,362
Professional development	-	25	-	25	802	17	280	1,099
Total personnel costs	<u>622,587</u>	<u>281,727</u>	<u>127,912</u>	<u>1,032,226</u>	<u>789,856</u>	<u>81,736</u>	<u>163,939</u>	<u>1,035,531</u>
DIRECT PROGRAM COSTS								
Children and youth	30,198	-	-	30,198	20,260	-	-	20,260
Case management and adult	<u>11,542</u>	<u>-</u>	<u>-</u>	<u>11,542</u>	<u>13,485</u>	<u>381</u>	<u>20</u>	<u>13,886</u>
Total direct program costs	<u>41,740</u>	<u>-</u>	<u>-</u>	<u>41,740</u>	<u>33,745</u>	<u>381</u>	<u>20</u>	<u>34,146</u>
Total expenses	<u>\$ 1,163,609</u>	<u>\$ 487,590</u>	<u>\$ 275,437</u>	<u>\$ 1,926,636</u>	<u>\$ 1,370,686</u>	<u>\$ 253,295</u>	<u>\$ 368,421</u>	<u>\$ 1,992,402</u>

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 66,938	\$ 138,034
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	268,090	239,583
Gain on sale of investments	-	(4,263)
Donated services	-	(37,500)
Amortization of discount on promises to give	798	163
(Increase) decrease in assets:		
Promises to give	191,665	(45,550)
Grants and other receivables	(48,216)	(781)
Prepaid expenses	(4,714)	(1,152)
Increase (decrease) in liabilities:		
Accounts payable	(401,792)	393,698
Accrued expenses	<u>14,776</u>	<u>15,956</u>
Total adjustments	<u>20,607</u>	<u>560,154</u>
Net cash provided by operating activities	<u>87,545</u>	<u>698,188</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(15,512)	(28,084)
Construction in progress	-	(1,658,031)
Purchase of investments	-	(5,808)
Proceeds from sale of investments	<u>-</u>	<u>64,972</u>
Net cash used in investing activities	<u>(15,512)</u>	<u>(1,626,951)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(2,345)	(8,162)
Advances on lines of credit	(520,000)	540,000
Borrowings on lines of credit	<u>110,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(412,345)</u>	<u>531,838</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(340,312)	(396,925)
Cash and cash equivalents, beginning of year	<u>510,193</u>	<u>907,118</u>
Cash and cash equivalents, end of year	<u>\$ 169,881</u>	<u>\$ 510,193</u>

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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, 2017 and 2016,

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

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

net assets without donor restrictions were \$5,158,743 and \$5,126,320, 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 \$3,576,796 and \$3,542,282 for the years ended December 31, 2017 and 2016, 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

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 net assets with donor restrictions, depending upon the nature of the restriction. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2017 and 2016.

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 \$24,561 and \$70,679 for the years ended December 31, 2017 and 2016. Professional services donated were for construction consulting, payroll tax, and legal services.

RAINBOW VILLAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 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, 2017 and 2016.

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, 2017 and 2016 was \$268,090 and \$239,583, 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.

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.

RAINBOW VILLAGE, INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 CHANGE

The Financial Accounting Standards Board (FASB) released ASU 2016-14 Not-for-Profit Entities in August 2016. This amendment changes the presentation of net assets from the previously required three classes: unrestricted, temporarily restricted, and permanently restricted net assets, to two classes, net assets with donor restrictions and net assets without donor restrictions. The amendment also requires additional disclosures regarding net assets with donor restrictions and internally restricted net assets. The amendment is effective for fiscal years beginning after December 15, 2017, should be applied retrospectively, and early adoption is permitted. The Organization has adopted this amendment for the year ended December 31, 2017 and applied the change retroactively to the year ended December 31, 2016.

3. PROMISES TO GIVE

Unconditional promises to give consisted of the following:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give, current	\$ 45,000	\$ 178,350
Unconditional promises to give, long-term	<u>95,000</u>	<u>155,000</u>
Total	140,000	333,350
Present value discount at 1.5%	<u>(1,404)</u>	<u>(2,291)</u>
Unconditional promises to give, net	<u>\$ 138,596</u>	<u>\$ 331,059</u>

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

2018	\$ 45,000
2019	55,000
2020	20,000
2021	<u>20,000</u>
Total	<u>\$ 140,000</u>

RAINBOW VILLAGE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Building	\$ 8,361,037	\$ 6,617,917
Land	502,778	502,778
Furniture and equipment	472,870	458,512
Vehicles	<u>122,912</u>	<u>122,912</u>
Total cost	9,459,597	7,702,119
Accumulated depreciation	<u>(957,682)</u>	<u>(689,591)</u>
Property and equipment, net	<u>\$ 8,501,915</u>	<u>\$ 7,012,528</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$268,090 and \$239,583, respectively.

5. ACCOUNTS PAYABLE

Accounts payable consists of the following:

	<u>2017</u>	<u>2016</u>
Accounts payable	\$ 14,461	\$ 253,903
Retainage payable	<u>-</u>	<u>162,350</u>
Total	<u>\$ 14,461</u>	<u>\$ 416,253</u>

6. LINES OF CREDIT

Lines of credit consist of the following:

	<u>2017</u>	<u>2016</u>
Line of credit with a borrowing capacity of \$750,000 and interest at the bank's prime rate plus 0.7%. The line of credit has a maturity date of November 5, 2018 and is secured by real estate built under the capital campaigns.	\$ 55,000	\$ 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 June 5, 2018 and is secured by real estate built under the capital campaigns.	<u>75,000</u>	<u>440,000</u>
Total	130,000	540,000
Less: current portion	<u>(130,000)</u>	<u>(100,000)</u>
Total long-term lines of credit	<u>\$ -</u>	<u>\$ 440,000</u>

RAINBOW VILLAGE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

7. CAPITAL LEASE OBLIGATIONS

Capital lease obligations consists of the following:

	<u>2017</u>	<u>2016</u>
Note payable due in monthly installments of \$273 through January 2017. Secured by equipment.	\$ -	\$ 273
Note payable due in monthly installments of \$345 through June 2017. Secured by equipment.	<u>-</u>	<u>2,072</u>
Total	-	2,345
Less: current portion	<u>-</u>	<u>(2,345)</u>
Total long-term capital lease obligation	<u>\$ -</u>	<u>\$ -</u>

Equipment under capital lease obligations consists of the following:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ -	\$ 15,776
Accumulated depreciation	<u>-</u>	<u>(5,784)</u>
	<u>\$ -</u>	<u>\$ 9,992</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2017</u>	<u>2016</u>
Program service restrictions	\$ 5,783	\$ 13,557
Building fund restrictions	<u>3,571,013</u>	<u>3,528,725</u>
Total	<u>\$ 3,576,796</u>	<u>\$ 3,542,282</u>

Net assets released from donor restrictions are as follows:

	<u>2017</u>	<u>2016</u>
Program service restrictions	\$ 7,774	\$ 108,926
Building fund restrictions	<u>260,190</u>	<u>260,214</u>
Total	<u>\$ 267,964</u>	<u>\$ 369,140</u>

9. 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:

	<u>2017</u>	<u>2016</u>
Cash	\$ 169,881	\$ 510,193
Unconditional promises to give	45,000	178,350
Grants and other receivables	<u>91,909</u>	<u>43,693</u>
Total	<u>\$ 306,790</u>	<u>\$ 732,236</u>

The unconditional promises to give and grants and other receivables are subject to implied time

RAINBOW VILLAGE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

9. NET ASSETS LIQUIDITY AND AVAILABILITY (continued)

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 \$160,553 and \$166,034 per month for the year ended December 31, 2017 and 2016, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

10. INVESTMENT INCOME

Investment income consists of the following:

	<u>2017</u>	<u>2016</u>
Net realized and unrealized losses	\$ -	\$ 4,263
Dividends and interest	-	842
Total return on investments	<u>\$ -</u>	<u>\$ 5,105</u>

11. 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 \$341,742 and \$304,966 of joint costs, which are not specifically attributable to particular components of the activities for the years ended December 31, 2017 and 2016, respectively.

These joint costs were allocated as follows:

	<u>2017</u>	<u>2016</u>
Programs	\$ 130,207	\$ 151,805
Support	135,269	96,870
Fundraising	<u>76,266</u>	<u>56,291</u>
Total	<u>\$ 341,742</u>	<u>\$ 304,966</u>

12. 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 \$22,047 and \$21,362 for the years ended December 31, 2017 and 2016. The Church Pension Fund plan number is 005. The plan was at least 80% funded as of December 31, 2017 and 2016. The Organization did not provide more than 5% of the total contributions by all contributing employers to the above funds.

RAINBOW VILLAGE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

12. PENSION PLAN *(continued)*

For the plan year ended March 31, 2018, the plan has total assets available for pension benefits of \$9.92 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, 2017, the plan has total assets available for pension benefits of \$9.29 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.

13. OPERATING LEASES

The Organization leases office equipment under various lease agreements less than 12 months in length. The Organization also receives office equipment to use through a donation. Total equipment rental expense for the years ended December 31, 2017 and 2016 was \$4,747 and \$6,449, respectively.

14. 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.

Events

During the years ended December 31, 2017 and 2016, one event accounted for approximately 12% and 10% of revenue and support earned, respectively.

15. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through October 17, 2018, 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, 2017 and 2016, 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 17, 2018.

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".

October 17, 2018
Duluth, Georgia