RAINBOW VILLAGE, INC. AND SUBSIDIARIES

Duluth, Georgia

Consolidated Financial Statements

December 31, 2018 and 2017

RAINBOW VILLAGE, INC. AND SUBSIDIARIES
DULUTH, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Village, Inc. as of December 31, 2018 and 2017, 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 23, 2019, 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 23, 2019
Duluth, Georgia

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RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 152,934	$ 169,881
Unconditional promises to give	47,500	45,000
Grants and other receivables	70,212	91,909
Prepaid expenses	23,871	28,514
Total current assets	294,517	335,304
PROPERTY AND EQUIPMENT		
Property and equipment	9,435,122	9,459,597
Less: accumulated depreciation	(1,217,326)	(957,682)
Property and equipment, net	8,217,796	8,501,915
LONG-TERM ASSETS		
Unconditional promises to give, long-term, net	25,000	93,596
Total assets	$ 8,537,313	$ 8,930,815
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ 124,619	$ 130,000
Accounts payable	5,758	14,461
Accrued expenses	62,429	46,010
Resident deposits and savings	-	4,805
Total current liabilities	192,806	195,276
NET ASSETS		
Net assets - without donor restrictions	5,078,827	5,158,743
Net assets - with donor restrictions	3,265,680	3,576,796
Total net assets	8,344,507	8,735,539
Total liabilities and net assets	$ 8,537,313	$ 8,930,815

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	$ 815,747	$ -	$ 815,747	$ 1,042,068	$ -	$ 1,042,068
Contributions - capital campaign	-	-	-	-	302,460	302,460
Grant revenue	49,139	-	49,139	117,698	-	117,698
Rental income	66,464	-	66,464	40,936	-	40,936
ECDC program fees	178,074	-	178,074	131,801	-	131,801
Other program income	78,850	-	78,850	38,513	-	38,513
Special events income	347,733	-	347,733	320,006	-	320,006
Investment income	31	870	901	74	18	92
Total revenue and support	1,536,038	870	1,536,908	1,691,096	302,478	1,993,574
Net assets released from restrictions	311,963	(311,963)	-	267,964	(267,964)	-
EXPENSES						
Program services	1,235,662	-	1,235,662	1,163,609	-	1,163,609
Supporting services	441,756	-	441,756	487,590	-	487,590
Fundraising	250,829	-	250,829	275,437	-	275,437
Loss (gain) on disposal of assets	(303)	-	(303)	-	-	-
Total expenses	1,927,944	-	1,927,944	1,926,636	-	1,926,636
CHANGE IN NET ASSETS	(79,943)	(311,093)	(391,036)	32,424	34,514	66,938
NET ASSETS, beginning of year	5,158,770	3,576,773	8,735,543	5,126,319	3,542,282	8,668,601
NET ASSETS, end of year	$ 5,078,827	$ 3,265,680	$ 8,344,507	$ 5,158,743	$ 3,576,796	$ 8,735,539

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
OPERATING EXPENSES								
Bank / merchant fees	$ 532	$ 704	$ 5,087	$ 6,323	$ 24	$ 1,953	$ 9,588	$ 11,565
Bad debt expense (recovery)	20,000	-	-	20,000	7,500	-	-	7,500
Conference and meetings	-	1,303	365	1,668	1,162	1,463	107	2,732
Depreciation	243,108	42,901	-	286,009	227,876	40,214	-	268,090
Equipment rental	1,177	2,973	2,044	6,194	250	3,823	674	4,747
Insurance	33,665	7,072	3,201	43,938	31,155	11,194	466	42,815
Interest	10,372	-	-	10,372	19,725	-	-	19,725
Memberships	2,568	3,301	420	6,289	2,953	4,464	275	7,692
Office	48,523	3,374	2,075	53,972	20,475	17,501	784	38,760
Postage	584	148	-	732	175	968	591	1,734
Printing and reproduction	86	-	-	86	340	701	3,783	4,824
Professional fees	72,268	74,405	9,600	156,273	24,150	88,050	56,996	169,196
Promotional materials and service	-	-	4,571	4,571	2,200	-	1,690	3,890
Repairs and maintenance	55,879	2,479	1,661	60,019	37,807	5,102	1,073	43,982
Special events	-	1,750	63,836	65,586	3,998	-	65,256	69,254
Supplies	16,124	3,296	4,667	24,087	17,161	3,809	831	21,801
Technology	16,247	10,394	8,773	35,414	12,192	13,401	2,208	27,801
Telephone	21,368	4,294	2,952	28,614	22,284	7,034	1,953	31,271
Utilities	86,811	4,592	2,946	94,349	67,855	6,186	1,250	75,291
Total operating expenses	629,312	162,986	112,198	904,496	499,282	205,863	147,525	852,670
PERSONNEL COSTS								
Salaries	500,835	240,909	128,958	870,702	559,743	224,338	118,077	902,158
Employee benefits	12,416	9,952	31	22,399	21,126	11,343	1,003	33,472
Payroll taxes	42,904	26,402	9,417	78,723	41,718	23,974	8,832	74,524
Pension	-	-	-	-	-	22,047	-	22,047
Professional development	1,046	1,507	225	2,778	-	25	-	25
Total personnel costs	557,201	278,770	138,631	974,602	622,587	281,727	127,912	1,032,226
DIRECT PROGRAM COSTS								
Children and youth	29,887	-	-	29,887	30,198	-	-	30,198
Case management and adult	19,262	-	-	19,262	11,542	-	-	11,542
Total direct program costs	49,149	-	-	49,149	41,740	-	-	41,740
Total expenses	$ 1,235,662	$ 441,756	$ 250,829	$ 1,928,247	$ 1,163,609	$ 487,590	$ 275,437	$ 1,926,636

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$	(391,036)	$	66,938
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		286,009		268,090
Loss (gain) on disposal of asset		(303)		-
Loss on promises written off		20,000		-
Amortization of discount on promises to give		-		798
(Increase) decrease in assets:				
Promises to give		46,096		191,665
Grants and other receivables		21,697		(48,216)
Prepaid expenses		4,643		(4,714)
Increase (decrease) in liabilities:				
Accounts payable		(8,703)		(401,792)
Accrued expenses		16,423		14,776
Resident obligations		(4,805)		-
Total adjustments		381,057		20,607
Net cash provided by (used in) operating activities		(9,979)		87,545
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment		(1,890)		(15,512)
Proceeds from disposal of assets		303		-
Net cash used in investing activities		(1,587)		(15,512)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on capital lease obligations		-		(2,345)
Advances on lines of credit		282,119		(520,000)
Borrowings on lines of credit		(287,500)		110,000
Net cash used in financing activities		(5,381)		(412,345)
NET DECREASE IN CASH		(16,947)		(340,312)
Cash, beginning of year		169,881		510,193
Cash, end of year	$	152,934	$	169,881

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

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

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. As of December 31, 2018 and 2017, net assets without donor restrictions were $5,078,827 and $5,158,743, 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 $3,265,680 and $3,576,796 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

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 $28,971 and $24,561 for the years ended December 31, 2018 and 2017. Professional services donated were for construction consulting, payroll tax, and legal services.

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

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. The allowance for doubtful accounts as of December 31, 2018 and 2017 was $- and $7,500, respectively.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the useful lives of the assets. Property and equipment consists of land, buildings, furniture & equipment, and vehicles which have useful lives between five and forty years. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the current year’s changes in net assets. Repairs and maintenance charges, which do not significantly extend the useful lives of the assets, are charged to expense as incurred, while major replacements and betterments are capitalized. Depreciation expense for the years ended December 31, 2018 and 2017 was $286,009 and $268,090, 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.

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.

3. PROMISES TO GIVE

Unconditional promises to give consisted of the following:

	2018	2017
Unconditional promises to give, current	$ 47,500	$ 45,000
Unconditional promises to give, long-term	25,000	95,000
Total	72,500	140,000
Present value discount at 1.5%	-	(1,404)
Unconditional promises to give, net	$ 72,500	$ 138,596

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

2019	$ 47,500
2020	20,000
2021	5,000
Total	$ 72,500

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018	2017
Building	$ 8,361,037	$ 8,361,037
Land	502,778	502,778
Furniture and equipment	474,760	472,870
Vehicles	96,547	122,912
Total cost	9,435,122	9,459,597
Accumulated depreciation	(1,217,326)	(957,682)
Property and equipment, net	$ 8,217,796	$ 8,501,915

Depreciation expense for the years ended December 31, 2018 and 2017 was $286,009 and $268,090, respectively.

5. LINES OF CREDIT

Lines of credit consist of the following:

	2018	2017
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 January 2020 and is secured by property.	$ 124,619	$ 55,000
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 2018 and is secured by real estate built under the capital campaigns.	-	75,000
Total	$ 124,619	$ 130,000

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	2018	2017
Program service restrictions	$ 702	$ 5,783
Building fund restrictions	3,264,978	3,571,013
Total	$ 3,265,680	$ 3,576,796

Net assets released from donor restrictions are as follows:

	2018	2017
Program service restrictions	$ 5,081	$ 7,774
Building fund restrictions	306,882	260,190
Total	$ 311,963	$ 267,964

7. NET ASSETS LIQUIDITY AND AVAILABILITY

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

	2018	2017
Cash	$ 152,934	$ 169,881
Unconditional promises to give	47,500	45,000
Grants and other receivables	70,212	91,909
Total	$ 270,646	$ 306,790

The unconditional promises to give and grants and other receivables are subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain a cash balance to meet several months of operating expenses which were on average $160,687 and $160,553 per month for the year ended December 31, 2018 and 2017, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. 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 $292,080 and $341,742 of joint costs, which are not specifically attributable to particular components of the activities for the years ended December 31, 2018 and 2017, respectively.

These joint costs were allocated as follows:

	2018	2017
Programs	$ 246,795	$ 130,207
Support	15,722	135,269
Fundraising	29,563	76,266
Total	$ 292,080	$ 341,742

9. PENSION PLAN

For the year ended December 31, 2017, The Organization participated 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 was $22,047 for the year ended December 31, 2017. The Church Pension Fund plan number is 005. The plan was at least 80% funded as of December 31, 2017. 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, 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.

The Organization did not participate in this pension fund for the year ended December 31, 2018.

10. 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, 2018 and 2017 was $6,194 and $4,747, respectively.

11. 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, 2018 and 2017, one event accounted for approximately 18% and 12% of revenue and support earned, respectively.

12. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through July 23, 2019, 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, 2018 and 2017, 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 23, 2019.

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 23, 2019
Duluth, Georgia