RAINBOW VILLAGE, INC. AND SUBSIDIARIES

Duluth, Georgia

Consolidated Financial Statements

December 31, 2019 and 2018

RAINBOW VILLAGE, INC. AND SUBSIDIARIES
DULUTH, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 28, 2020, 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

October 28, 2020
Duluth, Georgia

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RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 606,038	$ 152,934
Unconditional promises to give	5,000	47,500
Grants receivable	60,250	52,053
Resident receivables, net	33,250	18,159
Prepaid expenses	21,872	23,871
Total current assets	726,410	294,517
PROPERTY AND EQUIPMENT		
Property and equipment	9,446,090	9,435,122
Less: accumulated depreciation	(1,500,626)	(1,217,326)
Property and equipment, net	7,945,464	8,217,796
LONG-TERM ASSETS		
Unconditional promises to give, long-term, net	5,000	25,000
Total assets	$ 8,676,874	$ 8,537,313
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ -	$ 124,619
Accounts payable	39,153	5,758
Accrued expenses	75,652	62,429
Resident deposits and savings	800	-
Total current liabilities	115,605	192,806
NET ASSETS		
Net assets - without donor restrictions	5,510,262	5,051,326
Net assets - with donor restrictions	3,051,007	3,293,181
Total net assets	8,561,269	8,344,507
Total liabilities and net assets	$ 8,676,874	$ 8,537,313

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	$ 1,317,113	$ 69,358	$ 1,386,471	$ 795,225	$ 20,522	$ 815,747
Grant revenue	70,168	8,500	78,668	36,439	12,700	49,139
Rental income	103,488	-	103,488	66,464	-	66,464
ECDC program fees	175,734	-	175,734	178,074	-	178,074
Other program income	69,932	-	69,932	78,850	-	78,850
Special events income	401,364	-	401,364	347,733	-	347,733
Investment income	12	-	12	31	870	901
Total revenue and support	2,137,811	77,858	2,215,669	1,502,816	34,092	1,536,908
Net assets released from restrictions	320,032	(320,032)	-	317,684	(317,684)	-
EXPENSES						
Program services	1,374,844	-	1,374,844	1,225,290	-	1,225,290
Supporting services	365,746	-	365,746	452,128	-	452,128
Fundraising	258,317	-	258,317	250,829	-	250,829
Gain on disposal of assets	-	-	-	(303)	-	(303)
Total expenses	1,998,907	-	1,998,907	1,927,944	-	1,927,944
CHANGE IN NET ASSETS	458,936	(242,174)	216,762	(107,444)	(283,592)	(391,036)
NET ASSETS, beginning of year	5,051,326	3,293,181	8,344,507	5,158,770	3,576,773	8,735,543
NET ASSETS, end of year	$ 5,510,262	$ 3,051,007	$ 8,561,269	$ 5,051,326	$ 3,293,181	$ 8,344,507

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2019 and 2018

	2019				2018			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
OPERATING EXPENSES								
Bank / merchant fees	$ 153	$ 1,423	$ 4,247	$ 5,823	$ 532	$ 704	$ 5,087	$ 6,323
Bad debt expense	27,113	-	-	27,113	20,000	-	-	20,000
Conference and meetings	445	1,101	420	1,966	-	1,303	365	1,668
Depreciation	266,975	16,325	-	283,300	243,108	42,901	-	286,009
Equipment rental	3,188	1,062	1,150	5,400	1,177	2,973	2,044	6,194
Insurance	35,184	4,248	2,078	41,510	33,665	7,072	3,201	43,938
Interest	-	8,114	-	8,114	-	10,372	-	10,372
Memberships	2,840	5,676	775	9,291	2,568	3,301	420	6,289
Office	53,515	1,924	75	55,514	48,523	3,374	2,075	53,972
Postage	139	904	121	1,164	584	148	-	732
Printing and reproduction	130	-	-	130	86	-	-	86
Professional fees	22,112	45,595	11,532	79,239	72,268	74,405	9,600	156,273
Promotional materials and service	-	164	5,008	5,172	-	-	4,571	4,571
Repairs and maintenance	47,048	25,751	2,301	75,100	55,879	2,479	1,661	60,019
Special events	-	267	90,873	91,140	-	1,750	63,836	65,586
Supplies	13,478	2,319	677	16,474	16,124	3,296	4,667	24,087
Technology	38,419	15,525	6,815	60,759	16,450	10,394	8,773	35,617
Telephone	20,698	6,549	1,358	28,605	21,165	4,294	2,952	28,411
Utilities	107,265	84	1,371	108,720	86,811	4,592	2,946	94,349
Total operating expenses	638,702	137,031	128,801	904,534	618,940	173,358	112,198	904,496
PERSONNEL COSTS								
Salaries	612,090	196,655	116,961	925,706	500,835	240,909	128,958	870,702
Employee benefits	9,616	15,514	1,825	26,955	12,416	9,952	31	22,399
Payroll taxes	60,334	16,270	10,292	86,896	42,904	26,402	9,417	78,723
Professional development	3,271	276	438	3,985	1,046	1,507	225	2,778
Total personnel costs	685,311	228,715	129,516	1,043,542	557,201	278,770	138,631	974,602
DIRECT PROGRAM COSTS								
Children and youth	21,073	-	-	21,073	29,887	-	-	29,887
Case management and adult	29,758	-	-	29,758	19,262	-	-	19,262
Total direct program costs	50,831	-	-	50,831	49,149	-	-	49,149
Total expenses	$ 1,374,844	$ 365,746	$ 258,317	$ 1,998,907	$ 1,225,290	$ 452,128	$ 250,829	$ 1,928,247

See accompanying notes and independent auditor's report.

RAINBOW VILLAGE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 216,762	$ (391,036)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	283,300	286,009
Loss (gain) on disposal of asset	-	(303)
Bad debts	27,113	20,000
(Increase) decrease in assets:		
Promises to give	42,500	46,096
Grants receivable	(8,197)	21,697
Resident receivables	(22,204)	-
Prepaid expenses	1,999	4,643
Increase (decrease) in liabilities:		
Accounts payable	33,395	(8,703)
Accrued expenses	13,223	16,423
Resident obligations	800	(4,805)
Total adjustments	371,929	381,057
Net cash provided by (used in) operating activities	588,691	(9,979)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,968)	(1,890)
Proceeds from disposal of assets	-	303
Net cash used in investing activities	(10,968)	(1,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on lines of credit	60,000	282,119
Repayments on lines of credit	(184,619)	(287,500)
Net cash used in financing activities	(124,619)	(5,381)
NET INCREASE (DECREASE) IN CASH	453,104	(16,947)
Cash, beginning of year	152,934	169,881
Cash, end of year	$ 606,038	$ 152,934

SUPPLEMENTAL INFORMATION:

Interest paid	$ 8,114	$ 10,372

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, 2019 and 2018, net assets without donor restrictions were $5,510,262 and $5,051,326, 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 $3,051,007 and $3,293,181 for the years ended December 31, 2019 and 2018, respectively.

Use of Estimates

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

Revenue Recognition for the year ended December 31, 2018

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 year ended December 31, 2018.

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.

Revenue Recognition for the year ended December 31, 2019

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

1. Identify the contract
2. Identify the performance obligations

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

3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue

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

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

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

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

Donations

Assets received as gifts are recorded at their fair market value on the date of the receipt. The value of donated services received that either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated are recorded as donated services. Professional services that met the criteria for recognition as donated services were $17,163 and $28,971 for the years ended December 31, 2019 and 2018. Professional services donated were for legal and other professional 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 Organization has determined there are no significant financing components in these receivables for the years ended December 31, 2019 and 2018. There was no allowance for doubtful accounts for the years ended December 31, 2019 and 2018.

Grants Receivable

Grants receivable are recorded when the conditions in the grant have been met and the amounts are receivable from the grantors. The Organization has determined there are no significant financing components in these receivables for the years ended December 31, 2019 and 2018. There was no allowance for doubtful accounts for the years ended December 31, 2019 and 2018.

Resident Receivables

Residents are billed for various items according to their individual program profile such as rent. If the balances due from residents are greater than one year past due, they are fully reserved for by the Organization. The Organization has determined there are no significant financing components in these receivables for the years ended December 31, 2019 and 2018. The allowance for doubtful accounts was $7,113 and $0, for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 was $283,300 and $286,009, respectively.

Income Taxes

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

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

Functional Allocation of Expenses

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

Fair Value of Financial Instruments

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

2. ACCOUNTING POLICY CHANGES

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

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

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

2. ACCOUNTING POLICY CHANGES *(continued)*

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

3. PROMISES TO GIVE

Unconditional promises to give consisted of the following:

	2019	2018
Unconditional promises to give, current	$ 5,000	$ 47,500
Unconditional promises to give, long-term	5,000	25,000
Total	10,000	72,500

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

2020	$ 5,000
2021	5,000
Total	$ 10,000

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019	2018
Building	$ 8,361,037	$ 8,361,037
Land	502,778	502,778
Furniture and equipment	485,728	474,760
Vehicles	96,547	96,547
Total cost	9,446,090	9,435,122
Accumulated depreciation	(1,500,626)	(1,217,326)
Property and equipment, net	$ 7,945,464	$ 8,217,796

Depreciation expense for the years ended December 31, 2019 and 2018 was $283,300 and $286,009, respectively.

5. LINE OF CREDIT

Line of credit consist of the following:

	2019	2018
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

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	2019	2018
Program service restrictions - education fund	$ -	$ 702
Alumni case manager position	30,000	-
Building fund restrictions	3,021,007	3,292,479
Total	$ 3,051,007	$ 3,293,181

Net assets released from donor restrictions are as follows:

	2019	2018
Program service restrictions - education fund	$ 702	$ 5,081
Building fund restrictions	271,472	279,381
Mentoring	-	7,500
Summer camp	21,858	3,022
STEM learning	12,500	10,000
Thanksgiving event	5,000	-
Salaries	8,500	12,700
Total	$ 320,032	$ 317,684

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:

	2019	2018
Cash	$ 606,038	$ 152,934
Unconditional promises to give	5,000	47,500
Grants receivable	60,250	52,053
Resident receivables	33,250	18,159
Total	$ 704,538	$ 270,646

The unconditional promises to give and receivables are subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain a cash balance to meet several months of operating expenses which were on average $166,576 and $160,662 per month for the years ended December 31, 2019 and 2018, 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 $325,112 and $292,080 of joint costs, which are not specifically attributable to particular components of the activities for the years ended December 31, 2019 and 2018, respectively.

These joint costs were allocated as follows:

	2019	2018
Programs	$ 225,771	$ 246,795
Support	33,398	15,722
Fundraising	65,943	29,563
Total	$ 325,112	$ 292,080

9. 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, 2019 and 2018 was $5,400 and $6,194, respectively.

10. 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, 2019, one donor contributed 41% of the revenue and support earned. There were no significant donors for the year ended December 31, 2018.

Events

During the years ended December 31, 2019 and 2018, one event accounted for approximately 27% and 18% of revenue and support earned, respectively.

11. RECLASSIFICATIONS

Certain reclassifications have been made to the December 31, 2018 financial statement presentation to correspond to the current year’s format. Total net assets and changes in net assets remain unchanged due to these reclassifications.

12. SUBSEQUENT EVENTS

Subsequent to year end, there was a worldwide public health emergency declared related to COVID-19. The response to this public health emergency mandated by United States government officials included forced closures of various businesses and organizations for a length of time that continues through the date these financial statements were issued. The related financial impact on the Organization of these closures can not be estimated at this time.

Subsequent to year end, the Board of Directors resolved to discontinue the Early Childhood Development Center, LLC (ECDC) operations. Operations ceased on July 31, 2020. ECDC reported a net loss of $(195,295) and $(158,146) for the years ended December 31, 2019 and 2018, respectively.

Other than the issues noted above, the Organization is not aware of any other significant events that occurred subsequent to the balance sheet date but prior to the issuance of this report that require adjustment to the financial statements or disclosure in the notes to the financial statements. Management has evaluated subsequent events as of October 28, 2020, the date on which the financial statements were available to be issued.

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, 2019 and 2018, 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 28, 2020.

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

October 28, 2020
Duluth, Georgia

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