

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Audited Financial Statements
December 31, 2020 and 2019
With Supplemental Information

COMER  **NOWLING**
INDUSTRY ESTABLISHED | FOCUSED ON QUALITY
Certified Public Accountants

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

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Independent Auditor's Report

Board of Directors
Rainbow Village II, Inc.
St. Louis, Missouri

Report on Financial Statements

We have audited the accompanying financial statements of HUD Project No. 085-EH-152-NP-WDD-L8 of Rainbow Village II, Inc. (Corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the 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 Corporation'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Village II, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial data schedules and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The financial data schedules and other supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The accompanying supplemental information is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, financial data schedules and other supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
March 9, 2021

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Identification of Lead Auditor

Name: Gregory L. Nowling, CPA

Title: Shareholder

Telephone: (317) 841-3393

Firm ID Number: 35-2119569

Address: c/o Comer, Nowling And Associates, P.C.
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Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Statements of Financial Position
As of December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 3,308	\$ 198
Cash-entity	716	975
Tenant accounts receivable	<u>34</u>	<u>-</u>
Total current assets	<u>4,058</u>	<u>1,173</u>
Deposits Held in Trust		
Tenant deposits held in trust	<u>3,854</u>	<u>3,422</u>
Restricted Deposits		
Replacement reserve	48,977	44,106
Other reserves	25,232	25,201
Residual receipts reserve	<u>7,937</u>	<u>7,935</u>
Total restricted deposits	<u>82,146</u>	<u>77,242</u>
Property and Equipment		
Land	105,170	105,170
Buildings	1,110,641	1,088,054
Furniture for project/tenant use	<u>78,737</u>	<u>78,737</u>
Total property and equipment	1,294,548	1,271,961
Accumulated depreciation	<u>(728,142)</u>	<u>(694,218)</u>
Net property and equipment	<u>566,406</u>	<u>577,743</u>
Total Assets	<u>\$ 656,464</u>	<u>\$ 659,580</u>

Rainbow Village II, Inc.
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Statements of Financial Position (Continued)
As of December 31, 2020 and 2019

Liabilities and Net Assets (Deficit)

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts payable - operations	\$ 244,620	\$ 203,462
Accrued interest payable-other loans and notes	1,370	1,240
Miscellaneous current liabilities	4,437	3,185
Prepaid revenue	<u>-</u>	<u>1</u>
Total current liabilities	<u>250,427</u>	<u>207,888</u>
Deposit Liabilities		
Tenant deposits held in trust	<u>3,639</u>	<u>3,419</u>
Long-Term Liabilities		
Other loans and notes payable	289,270	261,943
Debt issuance costs	<u>(2,437)</u>	<u>(2,732)</u>
Total long-term liabilities	<u>286,833</u>	<u>259,211</u>
Total Liabilities	<u>540,899</u>	<u>470,518</u>
Net Assets Without Donor Restrictions	<u>115,565</u>	<u>189,062</u>
Total net assets	<u>115,565</u>	<u>189,062</u>
Total Liabilities and Net Assets (Deficit)	<u><u>\$ 656,464</u></u>	<u><u>\$ 659,580</u></u>

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Statements of Activities and Changes in Net Assets (Deficit)
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Income		
Rental income	\$ 151,808	\$ 156,627
Interest income	90	226
Other income	<u>3,680</u>	<u>-</u>
Total income	<u>155,578</u>	<u>156,853</u>
Expenses		
Administrative expenses	61,077	42,959
Utility expenses	23,167	24,597
Operating and maintenance expenses	59,162	60,931
Taxes and insurance	34,163	29,433
Financial expenses	<u>17,582</u>	<u>14,656</u>
Total cost of operations before depreciation	<u>195,151</u>	<u>172,576</u>
Change in net assets (deficit) without donor restrictions before depreciation	(39,573)	(15,723)
Depreciation expense	<u>33,924</u>	<u>32,394</u>
Change In Net Assets (Deficit) Without Donor Restrictions	(73,497)	(48,117)
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	<u>189,062</u>	<u>237,179</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u>\$ 115,565</u>	<u>\$ 189,062</u>

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Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Rental receipts	\$ 151,773	\$ 157,018
Interest receipts	90	226
Other receipts	3,680	-
Total receipts	<u>155,543</u>	<u>157,244</u>
Administrative	(15,987)	(26,538)
Management fees	(18,609)	(6,239)
Utilities	(18,262)	(27,012)
Salaries and wages	(43,886)	(22,336)
Operating and maintenance	(15,872)	(28,739)
Property insurance	(10,585)	(5,445)
Miscellaneous taxes and insurance	(13,210)	(5,218)
Tenant security deposits	220	(474)
Mortgage interest	425	18
Miscellaneous financial	(16,330)	(14,542)
Total disbursements	<u>(152,096)</u>	<u>(136,525)</u>
Net cash provided by (used in) operating activities	<u>3,447</u>	<u>20,719</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	<u>(22,587)</u>	<u>(83,574)</u>
Net cash provided by (used in) investing activities	<u>(22,587)</u>	<u>(83,574)</u>
Cash Flows From Financing Activities		
Principal payments on mortgage payable	-	(191,000)
Proceeds from mortgages, loans, or notes payable	-	271,000
Principal payments on loans or notes payable	27,327	(9,057)
Other financing activities	-	(2,954)
Net cash provided by (used in) financing activities	<u>27,327</u>	<u>67,989</u>
Net Increase (Decrease) in Cash and Restricted Cash	8,187	5,134
Cash and Restricted Cash, Beginning of Year	<u>81,837</u>	<u>76,703</u>
Cash and Restricted Cash, End of Year	<u>\$ 90,024</u>	<u>\$ 81,837</u>

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Statements of Cash Flows (Continued)
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities		
Change in net assets (deficit) without donor restrictions	\$ (73,497)	\$ (48,117)
Adjustments to reconcile change in net assets (deficit) without donor restrictions by (used in) operating activities to net cash provided		
Depreciation	33,924	32,394
Amortization of debt issuance costs	295	222
Decrease (increase) in tenant/member accounts receivable	(34)	390
Increase (decrease) in accounts payable	41,158	36,394
Increase (decrease) in accrued liabilities	1,252	3
Increase (decrease) in accrued interest payable	130	(93)
Increase (decrease) in tenant security deposits held in trust	220	(475)
Increase (decrease) in prepaid revenue	<u>(1)</u>	<u>1</u>
Net cash provided by (used in) operating activities	<u>\$ 3,447</u>	<u>\$ 20,719</u>

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Notes to Financial Statements

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

General

Rainbow Village II, Inc. (Corporation) is a Missouri Not-For-Profit Corporation organized for the purpose of providing safe, decent, and sanitary low-cost housing facilities to individuals that are intellectually and developmentally disabled under Section 202 of the National Housing Act, as amended, and is administered by the United States Department of Housing And Urban Development (HUD). The Corporation consists of four individual group homes located in St. Louis County, Missouri. Tenants receive federal assistance as provided under Section 8 of the United States National Housing Act of 1937, as amended. HUD regulates the Corporation through a regulatory agreement, which contains significant restrictions relating to rent charges, operating methods and distributions to owners.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per the applicable standards, Rainbow Village II, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net asset classes follows:

Net assets without donor restrictions represent the portion of net assets of Rainbow Village II, Inc. that is not subject to donor-imposed restrictions. Net assets without donor restrictions include expendable funds available for the support of the Corporation. Board designated net assets are net assets without donor restrictions with self-imposed designations by action of the governing board.

Net assets with donor restrictions represent contributions and other inflows of assets whose use by Rainbow Village II, Inc. is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of Rainbow Village II, Inc. pursuant to those stipulations, or net assets that must be held in perpetuity.

As of December 31, 2020 and 2019, all of the net assets of the Corporation are considered to be net assets without donor restrictions.

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Cash and Cash Equivalents

For the statement of cash flows, all unrestricted investments with the original maturities of three months or less are cash equivalents. As of December 31, 2020 and 2019, cash consists of an operating checking account. As of December 31, 2020 and 2019, there were no cash equivalents.

Statement of Cash Flows – Restricted Cash

In November 2016, FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18) which amends the presentation of amounts generally described as restricted cash on the statement of cash flows. These restricted amounts are now required to be included with cash when reconciling the beginning and end of year total amounts. The amendments in ASU 2016-18 do not provide a definition of restricted cash. However, management has determined all restricted deposits and tenant deposits held in trust are considered restricted cash, based upon restrictions of use of funds imposed by HUD. The amendments in ASU 2016-18 are required to be applied using a retrospective transition method to each period presented in the financial statements.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same amounts shown in the statements of cash flows.

	<u>2020</u>	<u>2019</u>
Cash	\$ 3,308	\$ 198
Cash-entity	716	975
Tenant deposits held in trust	3,854	3,422
Replacement reserve	48,977	44,106
Other reserves	25,232	25,201
Residual receipts	<u>7,937</u>	<u>7,935</u>
	<u>\$ 90,024</u>	<u>\$ 81,837</u>

Tenant Security Deposits

Tenant security deposits are maintained in a separate interest-bearing bank account in the name of the Corporation.

Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves consist of funds required to be set aside by all projects insured under the Regulatory Agreement.

Property and Equipment

Expenditures for property and equipment and items, which substantially increase the useful lives of existing assets, are capitalized at cost. The Corporation provides for depreciation on the straight-line method at rates designated to depreciate the costs of assets over estimated useful lives.

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Assets, which are retired or otherwise disposed of, are removed at cost and the related accumulated depreciation is removed from the statement of financial position, and any resulting gain or loss is recognized in the period of the disposal. The cost of maintenance and repairs is expensed as incurred, while significant renewals and betterments are capitalized.

Debt Issuance Costs

Debt issuance costs in the original amount of \$2,954 are being amortized over the life of the loan. Amortization of debt issuance costs included in interest expense during the years ended December 31, 2020 and 2019 was \$295 and \$222, respectively. Accumulated amortization as of December 31, 2020 was \$517 and \$222, respectively.

Amortization of debt issuance costs over the next five years is as follows:

2021	\$ 295
2022	295
2023	295
2024	295
2025	295
Thereafter	<u>962</u>
	<u>\$ 2,437</u>

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is recognized in the financial statements. It is exempt from income taxes under the provisions of Section 501(a) of the Code.

In the event the Corporation was to lose its tax exempt status, income tax expense for the tax reporting entity would include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2020 and 2019.

The Corporation adopted the standard for *Accounting for Uncertainty in Income Taxes*. The entity recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. Federal and state tax authorities (if applicable) generally have the right to examine and audit the previous three years of tax returns filed.

Property Taxes

The Corporation is exempt from real and personal property taxes. Accordingly, no provision for property taxes has been recognized in the accompanying financial statements.

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Accounting for the Impairment or Disposal of Long-Lived Assets

Accounting for the Impairment or Disposal of Long-Lived Assets, requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Accounting for the Impairment of Long-Lived Assets has not materially affected the Corporation's reported earnings, financial condition or cash flows.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Revenue and Cost Recognition

Revenues are recognized when earned and costs are expensed when incurred.

Risks and Uncertainties

The Corporation is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the property is located or by changes in federal low-income housing subsidies or the demand for such housing.

Note 2 – Mortgage Payable

A mortgage payable is payable to HUD in monthly principal and interest installments of \$2,043. The mortgage has an annual interest rate of 8.375% and matures on August 1, 2031. The mortgage is collateralized by land and four group homes. During the year ended December 31, 2019 the note was paid off.

Note 3 - Promissory Note Payable

On April 25, 2019, the Corporation entered into a line of credit agreement collateralized by land and seven group homes, as evidenced in a \$380,000 promissory note payable to Montgomery Bank. The note has an annual interest rate of 5.16% and matures on July 26, 2028. As of December 31, 2020 and 2019, \$289,270 and \$261,943, respectively, remained payable.

Note 4 – Cash Distributions and Residual Receipts Fund

Pursuant to the terms of the Regulatory Agreement, no cash distributions may be made to the non-profit owners, nor can they incur obligations on behalf of the Corporation, to themselves or any officers, directors, stockholders, trustees, partners, beneficiaries under a trust, or any of their nominees without prior written approval of HUD. Surplus Cash as defined by HUD, existing at the end of the fiscal year must be deposited in a Residual Receipts Fund in the name of the Corporation within 90 days subsequent to the end of the fiscal year. Surplus cash to be deposited

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as of December 31, 2020 and 2019 is \$0 and \$0, respectively. Withdrawals from the Residual Receipts Fund may only be made with the approval of HUD.

Note 5 – Management Agreement and Related Party Transactions

The Corporation entered into a management agreement with Rainbow Village Properties, a related party to the Corporation. The agreement, which is effective May 1, 2019 through April 30, 2020, allows for a management fee of \$36.82 per unit per month. During the year ended December 31, 2020, the Company renewed the management agreement with Rainbow Village Properties on May 1, 2020. The agreement, which expires on April 30, 2021, allows for a management fee of \$36.82 per unit per month. As per the construction agreement, the management company allowed an additional management fee for managing the construction project. During the year December 31, 2020, \$12,424 was earned and paid for managing the construction project. During the years ended December 31, 2020 and 2019, \$6,185 and \$6,239, respectively, of management fees were incurred and paid.

Note 6 – Functional Expenses

The functional expenses are as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Management and general	\$ 61,077	\$ 42,959
Program services – housing	<u>166,748</u>	<u>162,011</u>
	<u>\$ 227,825</u>	<u>\$ 204,970</u>

Note 7 – Current Vulnerability Due To Certain Concentrations

The Corporation's sole asset is four individual group homes. The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 8 – Concentration of Credit Risk

The Corporation may at times maintain cash balances in financial institutions in excess of the federally insured limits of \$250,000. Corporation management monitors the financial ratings of such financial institutions and believes the risk of loss is minimal.

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Note 9 – Potential Contingent Liability

One June 19, 2015 HUD issued a communication to owners of Section 202 and 811 projects with project assistance contracts requiring a residual receipts recapture. Unlike the previous recapture rules of residual receipts, this recapture requires direct payment to HUD for excess amounts in the residual receipts fund exceeding \$250 per unit. Management believes this ruling is more likely than not to be approved. Therefore, as of December 31, 2020 and 2019 a current liability of \$4,437 and \$3,185 representing excess project funds has been recorded, respectively.

Note 10 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through March 9, 2021, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplemental HUD Information

Rainbow Village II, Inc.
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Supporting Data Required by HUD - Statements of Financial Position
As of December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
1120 Cash - operations	\$ 3,308	\$ 198
1125 Cash-entity	716	975
1130 Tenant/member accounts receivable	34	-
1130N Net tenant accounts receivable	<u>34</u>	<u>-</u>
1100T Total current assets	<u>4,058</u>	<u>1,173</u>
Deposits Held in Trust		
1191 Tenant/patient deposits held in trust	<u>3,854</u>	<u>3,422</u>
Restricted Deposits		
1320 Replacement reserve	48,977	44,106
1330 Other reserves	25,232	25,201
1340 Residual receipts reserve	<u>7,937</u>	<u>7,935</u>
1300T Total deposits	<u>82,146</u>	<u>77,242</u>
Property and Equipment		
1410 Land	105,170	105,170
1420 Buildings	1,110,641	1,088,054
1450 Furniture for project/tenant use	<u>78,737</u>	<u>78,737</u>
1400T Total fixed assets	1,294,548	1,271,961
1495 Accumulated depreciation	<u>(728,142)</u>	<u>(694,218)</u>
1400N Net fixed assets	<u>566,406</u>	<u>577,743</u>
1000T Total Assets	<u><u>\$ 656,464</u></u>	<u><u>\$ 659,580</u></u>

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Supporting Data Required by HUD - Statements of Financial Position
(Continued) As of December 31, 2020 and 2019

Liabilities and Net Assets

	<u>2020</u>	<u>2019</u>
Current Liabilities		
2110 Accounts payable - operations	\$ 244,620	\$ 203,462
2134 Accrued interest payable-other loans and notes	1,370	1,240
2190 Miscellaneous current liabilities - excess project funds	4,437	3,185
2210 Prepaid revenue	<u>-</u>	<u>1</u>
2122T Total current liabilities	<u>250,427</u>	<u>207,888</u>
Deposit Liabilities		
2191 Tenant/patient deposits held in trust (contra)	<u>3,639</u>	<u>3,419</u>
Long-Term Liabilities		
2324 Other loans and notes payable	289,270	261,943
2340 Debt issuance costs, net of accumulated amortization	<u>(2,437)</u>	<u>(2,732)</u>
2300T Total long-term liabilities	<u>286,833</u>	<u>259,211</u>
2000T Total Liabilities	<u>540,899</u>	<u>470,518</u>
3131 Net Assets Without Donor Restrictions	<u>115,565</u>	<u>189,062</u>
3130 Total net assets	<u>115,565</u>	<u>189,062</u>
2033T Total Liabilities and Net Assets	<u>\$ 656,464</u>	<u>\$ 659,580</u>

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Supporting Data Required by HUD - Statements of Activities
For the Years Ended December 31, 2020 and 2019

		<u>2020</u>	<u>2019</u>
Project Revenue Accounts			
Rent revenue			
5120	Rent revenue - gross potential	\$ 80,385	\$ 75,795
5121	Tenant assistance payments	<u>80,070</u>	<u>83,001</u>
5100T	Total rent revenue	<u>160,455</u>	<u>158,796</u>
Vacancies			
5220	Apartments	<u>(8,647)</u>	<u>(2,169)</u>
5200T	Total vacancies	<u>(8,647)</u>	<u>(2,169)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>151,808</u>	<u>156,627</u>
Financial revenue			
5410	Financial revenue - project operations	33	112
5430	Revenue from investments - residual receipts reserve	2	3
5440	Revenue from investments - replacement reserve	<u>55</u>	<u>111</u>
5400T	Total financial revenue	<u>90</u>	<u>226</u>
Other revenue			
5990	Miscellaneous revenue- COVID grant	<u>3,680</u>	<u>-</u>
5900T	Total other revenue	<u>3,680</u>	<u>-</u>
5000T	Total revenue	<u>155,578</u>	<u>156,853</u>
Project Expense Accounts			
Administrative expenses			
6250	Other renting expenses	3,060	3,060
6310	Office salaries	23,075	21,758
6311	Office expenses	9,938	7,427
6320	Management fee	18,609	6,239
6340	Legal expense-project	90	-
6350	Audit expense	4,400	4,400
6351	Bookkeeping fees/accounting services	-	75
6370	Bad debts	<u>1,905</u>	<u>-</u>
6263T	Total administrative expenses	<u>61,077</u>	<u>42,959</u>

Rainbow Village II, Inc.
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Supporting Data Required by HUD - Statements of Activities (Continued)
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Utility expenses		
6450 Electricity	9,029	10,191
6451 Water	3,897	3,693
6452 Gas	5,192	6,057
6453 Sewer	<u>5,049</u>	<u>4,656</u>
6400T Total utilities expense	<u>23,167</u>	<u>24,597</u>
Operating and maintenance expenses		
6510 Payroll	39,935	39,895
6515 Supplies	1,923	3,436
6520 Contracts	11,263	10,119
6525 Garbage and trash removal	1,339	1,031
6530 Security payroll/contract	4,195	4,017
6546 Heating/cooling repairs and maintenance	105	1,383
6548 Snow removal	<u>402</u>	<u>1,050</u>
6500T Total operating and maintenance expenses	<u>59,162</u>	<u>60,931</u>
Taxes and insurance		
6711 Payroll taxes (project's share)	4,383	4,009
6720 Property and liability insurance (hazard)	15,197	15,030
6722 Workmen's compensation	4,303	1,040
6723 Health insurance and other employee benefits	<u>10,280</u>	<u>9,354</u>
6700T Total taxes and insurance	<u>34,163</u>	<u>29,433</u>
Financial expenses		
6820 Interest on mortgage (or bonds) payable	-	111
6825 Interest on other mortgages	16,330	14,542
6890 Miscellaneous financial expenses - loss due to recapture of residual receipts	<u>1,252</u>	<u>3</u>
6800T Total financial expenses	<u>17,582</u>	<u>14,656</u>
Operating Results		
6000T Total cost of operations before depreciation	<u>195,151</u>	<u>172,576</u>
5060T Change in net assets (deficit) without donor restrictions before depreciation	<u>(39,573)</u>	<u>(15,723)</u>
6600 Depreciation expense	<u>33,924</u>	<u>32,394</u>
5060N Operating profit or (loss)	<u>(73,497)</u>	<u>(48,117)</u>
Change in net assets (deficit) without donor restrictions	<u>\$ (73,497)</u>	<u>\$ (48,117)</u>
Change in net assets from operations		
3247 Change in net assets without donor restrictions	<u>\$ (73,497)</u>	<u>\$ (48,117)</u>
3250 Change in total net assets from operations	<u>\$ (73,497)</u>	<u>\$ (48,117)</u>

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Supporting Data Required by HUD – Part II
For the Year Ended December 31, 2020

Part II

S1000-010	Total mortgage (or bond) principal payments required during the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured mortgages.	<u>\$ -</u>
S1000-020	Total of 12 monthly deposits in the audit year into the replacement reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	<u>\$ -</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the profit and loss statement.	<u>\$ 44</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on the profit and loss statement.	<u>\$ -</u>

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

**Supporting Data Required by HUD – Statements of Changes in Net Assets
For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
S1100-060 Previous Year Net Assets Without Donor Restrictions	\$ 189,062	\$ 237,179
3247 Change in Net Assets Without Donor Restrictions	<u>(73,497)</u>	<u>(48,117)</u>
3131 Net Assets Without Donor Restrictions	<u>\$ 115,565</u>	<u>\$ 189,062</u>
S1100-050 Previous Year Total Net Assets	\$ 189,062	\$ 237,179
3250 Change in Total Net Asset	<u>(73,497)</u>	<u>(48,117)</u>
3130 Total Net Assets	<u>\$ 115,565</u>	<u>\$ 189,062</u>

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Supporting Data Required by HUD - Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

		<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities			
S1200-010	Rental receipts	\$ 151,773	\$ 157,018
S1200-020	Interest receipts	90	226
S1200-030	Other operating receipts	<u>3,680</u>	<u>-</u>
S1200-040	Total receipts	<u>155,543</u>	<u>157,244</u>
S1200-050	Administrative	(15,987)	(26,538)
S1200-070	Management fees	(18,609)	(6,239)
S1200-090	Utilities	(18,262)	(27,012)
S1200-100	Salaries and wages	(43,886)	(22,336)
S1200-110	Operating and maintenance	(15,872)	(28,739)
S1200-140	Property insurance	(10,585)	(5,445)
S1200-150	Miscellaneous taxes and insurance	(13,210)	(5,218)
S1200-160	Tenant security deposits	(212)	-
S1200-180	Mortgage interest	425	18
S1200-220	Miscellaneous financial	<u>(16,330)</u>	<u>(14,542)</u>
S1200-230	Total disbursements	<u>(152,528)</u>	<u>(136,051)</u>
S1200-240	Net cash provided by (used in) operating activities	<u>3,015</u>	<u>21,193</u>
Cash Flows From Investing Activities			
S1200-250	Net deposits to the reserve for replacement account	(4,871)	(4,937)
S1200-255	Net deposits to other reserves	(31)	(108)
S1200-260	Net deposits to the residual receipts account	(2)	(3)
S1200-330	Net purchase of fixed assets	<u>(22,587)</u>	<u>(83,574)</u>
S1200-350	Net cash provided by (used in) investing activities	<u>(27,491)</u>	<u>(88,622)</u>
Cash Flows From Financing Activities			
S1200-360	Principal payments - first mortgage (or bonds)	-	(191,000)
S1200-365	Proceeds from mortgages, loans, or notes payable	-	271,000
S1200-370	Principal payments on loans or notes payable	27,327	(9,057)
S1200-450	Other financing activities- debt issuance costs	<u>-</u>	<u>(2,954)</u>
S1200-460	Net cash provided by (used in) financing activities	<u>27,327</u>	<u>67,989</u>
S1200-470	Net Increase (Decrease) in Cash and Cash Equivalents	2,851	560
S1200-480	Beginning of Period Cash	<u>1,173</u>	<u>613</u>
S1200T	End of Period Cash	<u>\$ 4,024</u>	<u>\$ 1,173</u>

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Supporting Data Required by HUD - Statements of Cash Flows (Continued)
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities		
3250 Change in total net assets (deficit) without donor restrictions from operations	\$ (73,497)	\$ (48,117)
Adjustments to reconcile change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities		
6600 Depreciation	33,924	32,394
S1200-486 Amortization fo debt issuance costs	295	222
S1200-490 Decrease (increase) in tenant/member accounts receivable	(34)	390
S1200-530 Decrease (increase) in cash restricted for tenant security deposits	(432)	474
S1200-540 Increase (decrease) in accounts payable	41,158	36,394
S1200-560 Increase (decrease) in accrued liabilities	1,252	3
S1200-570 Increase (decrease) in accrued interest payable	130	(93)
S1200-580 Increase (decrease) in tenant security deposits held in trust	220	(475)
S1200-590 Increase (decrease) in prepaid revenue	<u>(1)</u>	<u>1</u>
S1200-610 Net cash provided by (used in) operating activities	<u>\$ 3,015</u>	<u>\$ 21,193</u>

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

**Supporting Data Required by HUD –
Other Information and Replacement Reserves December 31, 2020**

1320P	Balance at beginning of the year	\$ 44,106
1320ODT	Other deposits - self funded	4,860
1320INT	Interest on replacement reserve account	55
1320OWT	Other withdrawals -self funded	<u>(44)</u>
1320	Balance at end of the year	<u>\$ 48,977</u>
1320R	Deposits suspended or waived indicator	Yes

Schedule of Residual Receipts

1340P	Balance at beginning of the year	\$ 7,935
1340INT	Interest on residual receipts account	<u>2</u>
1340	Balance at end of the year	<u>\$ 7,937</u>

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Supporting Data Required by HUD – Computation of Surplus Cash
December 31, 2020

Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)

Account	Description	Value
S1300-010	Cash	\$ 7,162
1135	Accounts receivable - HUD	\$ -
S1300-030	Other - entity cash	\$ 716
S1300-040	Total cash	\$ 7,878
S1300-050	Accrued mortgage (or bond) interest payable	\$ -
S1300-060	Delinquent mortgage (or bond) principal payments	\$ -
S1300-070	Delinquent deposits to reserve for replacements	\$ -
S1300-075	Accounts payable - 30 days	\$ 244,620
S1300-080	Loans and notes payable (due within 30 days)	\$ -
S1300-090	Deficient tax insurance or mip escrow deposits	\$ -
S1300-100	Accrued expenses (not escrowed)	\$ -
2210	Prepaid revenue	\$ -
2191	Tenant/patient deposits held in trust (contra)	\$ 3,639
S1300-110	Other current obligations	\$ -
S1300-140	Total current obligations	\$ 248,259
S1300-150	Surplus cash (deficiency)	\$ (240,381)
S1300-160	Annual distribution earned during fiscal period covered by this statement	\$ -
S1300-170	Distribution accrued and unpaid as of the end of the prior fiscal period	\$ -
S1300-180	Distributions and entity expenses paid during fiscal period covered by	\$ -
	this statement	
S1300-190	Distribution earned but unpaid	\$ -
S1300-200	Amount available for distribution during next fiscal period	\$ -
S1300-203	Incentive performance fee payable	\$ -
S1300-204	Percentage surplus cash split	
S1300-205	Surplus cash available for second mortgage payments	\$ -
S1300-206	Surplus cash available for distribution	\$ -
S1300-210	Deposit due residual receipts	\$ -

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

**Supporting Data Required by HUD –
Fixed Assets and Accumulated Depreciation December 31, 2020**

Change in Fixed Assets

<u>Fixed Assets</u>	December 31, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2020</u>
1410 Land	\$ 105,170	\$ -	\$ -	\$ 105,170
1420 Buildings	1,088,054	22,587	-	1,110,641
1450 Furniture for project/tenant use	78,737	-	-	78,737
	<u>\$ 1,271,961</u>	<u>\$ 22,587</u>	<u>\$ -</u>	<u>\$ 1,294,548</u>

	December 31, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2020</u>
1495 Accum. Deprec.	\$ 694,218	\$ 33,924	\$ -	\$ 728,142

Fixed asset additions for the year ended December 31, 2020:

Carriage Remodel	\$ 5,752
Glan Tai Remodel	10,933
Heathercroft Remodel	<u>5,902</u>
	<u>\$ 22,587</u>

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Mortgagor's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary information of Rainbow Village II, Inc., and, to the best of our knowledge and belief, the same is complete and accurate.

Erin Eberhard, Executive Director

March 9, 2021

Date

Board Member

March 9, 2021

Date

Rainbow Village II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Management Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary information of Rainbow Village II, Inc., and, to the best of our knowledge and belief, the same is complete and accurate.

March 9, 2021

Erin Eberhard, Executive Director
Rainbow Village Properties
1240 Dautel Lane
St Louis, MO 63146

Date

EIN: 43-6071313

Property Manager