

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

**Audited Financial Statements**  
**December 31, 2022 and 2021**  
**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

### Opinion

We have audited the accompanying financial statements of Rainbow Village II, Inc. which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rainbow Village II, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rainbow Village II, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainbow Village II, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rainbow Village II, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainbow Village II, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Par 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purpose of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applies in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in addition to the financial statements as a whole.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.  
Indianapolis, Indiana  
March 27, 2023

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

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**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.  
10475 Crosspoint Boulevard, Suite 200  
Indianapolis, IN 46256

UII Number: 16070

**Rainbow Village II, Inc.**  
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**Statements of Financial Position**  
**As of December 31, 2022 and 2021**

**Assets**

	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
Cash	\$ 2,208	\$ 1,872
Cash-entity	18,513	40,602
Tenant accounts receivable	-	10
Miscellaneous current assets	1,073	-
Total current assets	<u>21,794</u>	<u>42,484</u>
<b>Deposits Held in Trust</b>		
Tenant deposits held in trust	<u>4,199</u>	<u>4,582</u>
<b>Restricted Deposits</b>		
Replacement reserve	84,338	79,071
Residual receipts reserve	7,946	7,939
Total restricted deposits	<u>92,284</u>	<u>87,010</u>
<b>Property and Equipment</b>		
Land	105,170	105,170
Buildings	1,179,117	1,143,732
Furniture for project/tenant use	78,737	78,737
Total property and equipment	1,363,024	1,327,639
Accumulated depreciation	<u>(795,351)</u>	<u>(761,800)</u>
Net property and equipment	<u>567,673</u>	<u>565,839</u>
<b>Total Assets</b>	<u>\$ 685,950</u>	<u>\$ 699,915</u>

**Rainbow Village II, Inc.**  
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**Statements of Financial Position (Continued)**  
**As of December 31, 2022 and 2021**

**Liabilities and Net Assets (Deficit)**

	<u>2022</u>	<u>2021</u>
<b>Current Liabilities</b>		
Accounts payable - operations	\$ 380,026	\$ 300,107
Accrued interest payable-other loans and notes	1,508	1,618
Miscellaneous current liabilities	4,446	4,439
Prepaid revenue	1,372	-
Total current liabilities	<u>387,352</u>	<u>306,164</u>
<b>Deposit Liabilities</b>		
Tenant deposits held in trust	<u>4,152</u>	<u>3,689</u>
<b>Long-Term Liabilities</b>		
Other loans and notes payable	328,924	341,759
Debt issuance costs	<u>(1,846)</u>	<u>(2,142)</u>
Total long-term liabilities	<u>327,078</u>	<u>339,617</u>
<b>Total Liabilities</b>	<u>718,582</u>	<u>649,470</u>
<b>Net Assets Without Donor Restrictions</b>	<u>(32,632)</u>	<u>50,445</u>
Total net assets	<u>(32,632)</u>	<u>50,445</u>
<b>Total Liabilities and Net Assets (Deficit)</b>	<u><u>\$ 685,950</u></u>	<u><u>\$ 699,915</u></u>



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**Statements of Activities and Changes in Net Assets (Deficit)**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Income</b>		
Rental income	\$ 146,122	\$ 138,526
Interest income	244	83
Other income	-	3,544
	<hr/>	<hr/>
Total income	146,366	142,153
	<hr/>	<hr/>
<b>Expenses</b>		
Administrative expenses	48,634	46,015
Utility expenses	23,753	22,966
Operating and maintenance expenses	79,091	54,365
Taxes and insurance	25,479	31,655
Financial expenses	18,935	18,612
	<hr/>	<hr/>
Total cost of operations before depreciation	195,892	173,613
	<hr/>	<hr/>
Change in net assets (deficit) without donor restrictions before depreciation	(49,526)	(31,460)
	<hr/>	<hr/>
Depreciation expense	33,551	33,659
	<hr/>	<hr/>
<b>Change In Net Assets (Deficit) Without Donor Restrictions</b>	(83,077)	(65,119)
	<hr/>	<hr/>
<b>Net Assets (Deficit) Without Donor Restrictions, Beginning of Year</b>	50,445	115,564
	<hr/>	<hr/>
<b>Net Assets (Deficit) Without Donor Restrictions, End of Year</b>	<u>\$ (32,632)</u>	<u>\$ 50,445</u>

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**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Rental receipts	\$ 147,504	\$ 138,550
Interest receipts	244	83
Other receipts	-	3,544
	<hr/>	<hr/>
Total receipts	147,748	142,177
	<hr/>	<hr/>
Administrative	11,522	(9,575)
Management fees	(7,524)	(6,966)
Utilities	222	(13,912)
Salaries and wages	(64,816)	(35,089)
Operating and maintenance	(12,036)	(13,526)
Property insurance	(10,289)	(10,202)
Miscellaneous taxes and insurance	(15,190)	(10,246)
Tenant security deposits	463	50
Mortgage interest	(18,742)	543
Miscellaneous financial	-	(18,610)
	<hr/>	<hr/>
Total disbursements	(116,390)	(117,533)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	31,358	24,644
	<hr/>	<hr/>
<b>Cash Flows From Investing Activities</b>		
Purchase of fixed assets	(35,385)	(33,091)
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	(35,385)	(33,091)
	<hr/>	<hr/>
<b>Cash Flows From Financing Activities</b>		
Proceeds from mortgages, loans, or notes payable	-	52,489
Principal payments on loans or notes payable	(12,835)	-
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	(12,835)	52,489
	<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash and Restricted Cash</b>	(16,862)	44,042
	<hr/>	<hr/>
<b>Cash and Restricted Cash, Beginning of Year</b>	134,066	90,024
	<hr/>	<hr/>
<b>Cash and Restricted Cash, End of Year</b>	<u>\$ 117,204</u>	<u>\$ 134,066</u>

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**Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities</b>		
Change in net assets (deficit) without donor restrictions	\$ (83,077)	\$ (65,119)
Adjustments to reconcile change in net assets (deficit) without donor restrictions by (used in) operating activities to net cash provided		
Depreciation	33,551	33,659
Amortization of debt issuance costs	296	295
Decrease (increase) in tenant/member accounts receivable	10	24
Decrease (increase) in accrued receivable	(1,073)	-
Increase (decrease) in accounts payable	79,919	55,485
Increase (decrease) in accrued liabilities	7	2
Increase (decrease) in accrued interest payable	(110)	248
Increase (decrease) in tenant security deposits held in trust	463	50
Increase (decrease) in prepaid revenue	<u>1,372</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 31,358</u>	<u>\$ 24,644</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. 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.

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, 2022 and 2021, all of the net assets of the Corporation are considered to be net assets without donor restrictions.

**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, 2022 and 2021, cash consists of an operating checking account. As of December 31, 2022 and 2021, there were no cash equivalents.

**Rainbow Village II, Inc.**  
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**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>2022</u>	<u>2021</u>
Cash	\$ 2,208	\$ 1,872
Cash-entity	18,513	40,602
Tenant deposits held in trust	4,199	4,582
Replacement reserve	84,338	79,071
Residual receipts	<u>7,946</u>	<u>7,939</u>
	<u>\$ 117,204</u>	<u>\$ 134,066</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.

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.

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**Debt Issuance Costs**

Debt issuance costs in the original amount of \$2,954 are being amortized over the life of the loan. Generally accepted accounting principles require that the effective yield method be used to amortize these costs; however, the effect of using the straight-line method is not material to the financial statements. Amortization of debt issuance costs included in interest expense during the years ended December 31, 2022 and 2021 was \$296 and \$295, respectively. Accumulated amortization as of December 31, 2022 was \$1,108 and \$812, respectively.

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

2023	\$ 295
2024	295
2025	295
2026	295
2027	295
Thereafter	<u>371</u>
	<u>\$ 1,846</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, 2022 and 2021.

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.

**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.

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

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**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 - 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, 2022 and 2021, \$328,924 and \$341,759, respectively, remained payable.

**Note 3 – Management Agreement and Related Party Transactions**

The Corporation entered into a management agreement with Rainbow Village Properties, a related party to the Corporation. The management agreement entered into on May 1, 2020, allows for a management fee of \$36.82 per unit per month. The management agreement entered into on May 1, 2021, allows for a management fee of \$45 per unit per month. During the years ended December 31, 2022 and 2021, \$7,524 and \$6,966, respectively, of management fees were incurred and paid.

**Note 4 – Functional Expenses**

The functional expenses are as follows:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Management and general	\$ 48,634	\$ 46,015
Program services – housing	<u>180,809</u>	<u>161,257</u>
	<u>\$ 229,443</u>	<u>\$ 207,272</u>

**Rainbow Village II, Inc.**  
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**Note 5 – 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 6 – 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.

**Note 7 – 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, 2022 and 2021 a current liability of \$4,446 and \$4,439 representing excess project funds has been recorded, respectively.

**Note 8 – 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 27, 2023, 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.**  
**HUD Project No. 085-EH-152-NP-WDD-L8**

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**Supporting Data Required by HUD - Statements of Financial Position**  
**As of December 31, 2022 and 2021**

**Assets**

	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
1120 Cash - operations	\$ 2,208	\$ 1,872
1125 Cash-entity	18,513	40,602
1130 Tenant/member accounts receivable	-	10
1130N Net tenant accounts receivable	-	10
1190 Miscellaneous current assets - prepayment	<u>1,073</u>	<u>-</u>
1100T Total current assets	<u>21,794</u>	<u>42,484</u>
<b>Deposits Held in Trust</b>		
1191 Tenant/patient deposits held in trust	<u>4,199</u>	<u>4,582</u>
<b>Restricted Deposits</b>		
1320 Replacement reserve	84,338	79,071
1340 Residual receipts reserve	<u>7,946</u>	<u>7,939</u>
1300T Total deposits	<u>92,284</u>	<u>87,010</u>
<b>Property and Equipment</b>		
1410 Land	105,170	105,170
1420 Buildings	1,179,117	1,143,732
1450 Furniture for project/tenant use	<u>78,737</u>	<u>78,737</u>
1400T Total fixed assets	1,363,024	1,327,639
1495 Accumulated depreciation	<u>(795,351)</u>	<u>(761,800)</u>
1400N Net fixed assets	<u>567,673</u>	<u>565,839</u>
<b>1000T Total Assets</b>	<u><u>\$ 685,950</u></u>	<u><u>\$ 699,915</u></u>

**Rainbow Village II, Inc.**  
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**Supporting Data Required by HUD - Statements of Financial Position**  
**(Continued) As of December 31, 2022 and 2021**

**Liabilities and Net Assets**

	<u>2022</u>	<u>2021</u>
<b>Current Liabilities</b>		
2110 Accounts payable - operations	\$ 380,026	\$ 300,107
2134 Accrued interest payable-other loans and notes	1,508	1,618
2190 Miscellaneous current liabilities - excess project funds	4,446	4,439
2210 Prepaid revenue	<u>1,372</u>	<u>-</u>
2122T Total current liabilities	<u>387,352</u>	<u>306,164</u>
<b>Deposit Liabilities</b>		
2191 Tenant/patient deposits held in trust (contra)	<u>4,152</u>	<u>3,689</u>
<b>Long-Term Liabilities</b>		
2324 Other loans and notes payable	328,924	341,759
2340 Debt issuance costs, net of accumulated amortization	<u>(1,846)</u>	<u>(2,142)</u>
2300T Total long-term liabilities	<u>327,078</u>	<u>339,617</u>
<b>2000T Total Liabilities</b>	<u>718,582</u>	<u>649,470</u>
3131 <b>Net Assets Without Donor Restrictions</b>	<u>(32,632)</u>	<u>50,445</u>
3130 Total net assets	<u>(32,632)</u>	<u>50,445</u>
2033T <b>Total Liabilities and Net Assets</b>	<u>\$ 685,950</u>	<u>\$ 699,915</u>

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

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**Supporting Data Required by HUD - Statements of Activities**  
**For the Years Ended December 31, 2022 and 2021**

		<u>2022</u>	<u>2021</u>
<b>Project Revenue Accounts</b>			
<b>Rent revenue</b>			
5120	Rent revenue - gross potential	\$ 86,373	\$ 82,491
5121	Tenant assistance payments	<u>81,164</u>	<u>81,025</u>
5100T	Total rent revenue	<u>167,537</u>	<u>163,516</u>
<b>Vacancies</b>			
5220	Apartments	<u>(21,415)</u>	<u>(24,990)</u>
5200T	Total vacancies	<u>(21,415)</u>	<u>(24,990)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>146,122</u>	<u>138,526</u>
<b>Financial revenue</b>			
5410	Financial revenue - project operations	18	24
5430	Revenue from investments - residual receipts reserve	7	2
5440	Revenue from investments - replacement reserve	<u>219</u>	<u>57</u>
5400T	Total financial revenue	<u>244</u>	<u>83</u>
<b>Other revenue</b>			
5990	Miscellaneous revenue- COVID grant	<u>-</u>	<u>3,544</u>
5900T	Total other revenue	<u>-</u>	<u>3,544</u>
5000T	Total revenue	<u>146,366</u>	<u>142,153</u>
<b>Project Expense Accounts</b>			
<b>Administrative expenses</b>			
6250	Other renting expenses	3,060	3,060
6310	Office salaries	24,660	22,561
6311	Office expenses	8,990	9,028
6320	Management fee	7,524	6,966
6350	Audit expense	<u>4,400</u>	<u>4,400</u>
6263T	Total administrative expenses	<u>48,634</u>	<u>46,015</u>

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

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**Supporting Data Required by HUD - Statements of Activities (Continued)**  
**For the Years Ended December 31, 2022 and 2021**

		<u>2022</u>	<u>2021</u>
<b>Utility expenses</b>			
6450	Electricity	9,658	9,033
6451	Water	3,404	4,247
6452	Gas	6,398	5,108
6453	Sewer	<u>4,293</u>	<u>4,578</u>
6400T	Total utilities expense	<u>23,753</u>	<u>22,966</u>
<b>Operating and maintenance expenses</b>			
6510	Payroll	40,156	31,760
6515	Supplies	9,751	1,911
6520	Contracts	22,640	13,309
6525	Garbage and trash removal	1,442	483
6530	Security payroll/contract	3,705	5,700
6546	Heating/cooling repairs and maintenance	280	206
6548	Snow removal	<u>1,117</u>	<u>996</u>
6500T	Total operating and maintenance expenses	<u>79,091</u>	<u>54,365</u>
<b>Taxes and insurance</b>			
6711	Payroll taxes (project's share)	4,147	3,595
6720	Property and liability insurance (hazard)	10,289	15,793
6722	Workmen's compensation	3,994	6,997
6723	Health insurance and other employee benefits	<u>7,049</u>	<u>5,270</u>
6700T	Total taxes and insurance	<u>25,479</u>	<u>31,655</u>
<b>Financial expenses</b>			
6825	Interest on other mortgages	18,928	18,610
6890	Miscellaneous financial expenses - loss due to recapture of residual receipts	<u>7</u>	<u>2</u>
6800T	Total financial expenses	<u>18,935</u>	<u>18,612</u>
<b>Operating Results</b>			
6000T	Total cost of operations before depreciation	<u>195,892</u>	<u>173,613</u>
5060T	Change in net assets (deficit) without donor restrictions before depreciation	<u>(49,526)</u>	<u>(31,460)</u>
6600	Depreciation expense	<u>33,551</u>	<u>33,659</u>
5060N	Operating profit or (loss)	<u>(83,077)</u>	<u>(65,119)</u>
<b>Change in net assets (deficit) without donor restrictions</b>		<u>\$ (83,077)</u>	<u>\$ (65,119)</u>
<b>Change in net assets from operations</b>			
3247	Change in net assets without donor restrictions	<u>\$ (83,077)</u>	<u>\$ (65,119)</u>
3250	Change in total net assets from operations	<u>\$ (83,077)</u>	<u>\$ (65,119)</u>

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

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**Supporting Data Required by HUD – Part II**  
**For the Year Ended December 31, 2022**

**Part II**

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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>\$ 36</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**

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**Supporting Data Required by HUD – Statements of Changes in Net Assets  
For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
S1100-060 Previous Year Net Assets Without Donor Restrictions	\$ 50,445	\$ 115,564
3247 Change in Net Assets Without Donor Restrictions	<u>(83,077)</u>	<u>(65,119)</u>
3131 Net Assets Without Donor Restrictions	<u>\$ (32,632)</u>	<u>\$ 50,445</u>
S1100-050 Previous Year Total Net Assets	\$ 50,445	\$ 115,564
3250 Change in Total Net Asset	<u>(83,077)</u>	<u>(65,119)</u>
3130 Total Net Assets	<u>\$ (32,632)</u>	<u>\$ 50,445</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
S1200-010 Rental receipts	\$ 147,504	\$ 138,550
S1200-020 Interest receipts	244	83
S1200-030 Other operating receipts	<u>-</u>	<u>3,544</u>
S1200-040 Total receipts	<u>147,748</u>	<u>142,177</u>
S1200-050 Administrative	11,522	(9,575)
S1200-070 Management fees	(7,524)	(6,966)
S1200-090 Utilities	222	(13,912)
S1200-100 Salaries and wages	(64,816)	(35,089)
S1200-110 Operating and maintenance	(12,036)	(13,526)
S1200-140 Property insurance	(10,289)	(10,202)
S1200-150 Miscellaneous taxes and insurance	(15,190)	(10,246)
S1200-160 Tenant security deposits	846	(678)
S1200-180 Mortgage interest	(18,742)	543
S1200-220 Miscellaneous financial	<u>-</u>	<u>(18,610)</u>
S1200-230 Total disbursements	<u>(116,007)</u>	<u>(118,261)</u>
S1200-240 Net cash provided by (used in) operating activities	<u>31,741</u>	<u>23,916</u>
<b>Cash Flows From Investing Activities</b>		
S1200-250 Net deposits to the reserve for replacement account	(5,267)	(30,094)
S1200-255 Net deposits to other reserves	-	25,232
S1200-260 Net deposits to the residual receipts account	(7)	(2)
S1200-330 Net purchase of fixed assets	<u>(35,385)</u>	<u>(33,091)</u>
S1200-350 Net cash provided by (used in) investing activities	<u>(40,659)</u>	<u>(37,955)</u>
<b>Cash Flows From Financing Activities</b>		
S1200-365 Proceeds from mortgages, loans, or notes payable	-	52,489
S1200-370 Principal payments on loans or notes payable	<u>(12,835)</u>	<u>-</u>
S1200-460 Net cash provided by (used in) financing activities	<u>(12,835)</u>	<u>52,489</u>
S1200-470 <b>Net Increase (Decrease) in Cash and Cash Equivalent</b> s	(21,753)	38,450
S1200-480 <b>Beginning of Year Cash</b>	<u>42,474</u>	<u>4,024</u>
S1200T <b>End of Year Cash</b>	<u>\$ 20,721</u>	<u>\$ 42,474</u>



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

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**Supporting Data Required by HUD - Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of change in net assets (deficit) without donor restrictions</b>		
<b>to net cash provided by (used in) operating activities</b>		
3250    Change in total net assets (deficit) without donor restrictions from operations	\$ (83,077)	\$ (65,119)
Adjustments to reconcile change in net assets (deficit) without donor restrictions		
to net cash provided by (used in) operating activities		
6600    Depreciation	33,551	33,659
S1200-486    Amortization fo debt issuance costs	296	295
S1200-490    Decrease (increase) in tenant/member accounts receivable	10	24
S1200-510    Decrease (increase) in accrued receivable	(1,073)	-
S1200-530    Decrease (increase) in cash restricted for tenant security deposits	383	(728)
S1200-540    Increase (decrease) in accounts payable	79,919	55,485
S1200-560    Increase (decrease) in accrued liabilities	7	2
S1200-570    Increase (decrease) in accrued interest payable	(110)	248
S1200-580    Increase (decrease) in tenant security deposits held in trust	463	50
S1200-590    Increase (decrease) in prepaid revenue	1,372	-
	<u>1,372</u>	<u>-</u>
S1200-610    Net cash provided by (used in) operating activities	<u>\$ 31,741</u>	<u>\$ 23,916</u>

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

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**Supporting Data Required by HUD –  
Other Information and Replacement Reserves December 31, 2022**

1320P	Balance at beginning of the year	\$ 79,071
1320ODT	Other deposits - self funded	5,084
1320INT	Interest on replacement reserve account	219
1320OWT	Other withdrawals -self funded	<u>(36)</u>
1320	Balance at end of the year	<u>\$ 84,338</u>
1320R	Deposits suspended or waived indicator	Yes

**Schedule of Residual Receipts**

1340P	Balance at beginning of the year	\$ 7,939
1340INT	Interest on residual receipts account	<u>7</u>
1340	Balance at end of the year	<u>\$ 7,946</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, 2022**

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

Account	Description	Value
S1300-010	Cash	\$ 6,407
1135	Accounts receivable - HUD	\$ -
S1300-030	Other - entity cash	\$ 18,513
S1300-040	Total cash	\$ 24,920
S1300-050	Accrued mortgage (or bond) interest payable	\$ 1,508
S1300-060	Delinquent mortgage (or bond) principal payments	\$ -
S1300-070	Delinquent deposits to reserve for replacements	\$ -
S1300-075	Accounts payable - 30 days	\$ 380,026
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	\$ 1,372
2191	Tenant/patient deposits held in trust (contra)	\$ 4,152
S1300-110	Other current obligations	\$ -
S1300-140	Total current obligations	\$ 387,058
S1300-150	Surplus cash (deficiency)	\$ (362,138)
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**

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**Supporting Data Required by HUD –  
Fixed Assets and Accumulated Depreciation December 31, 2022**

		<u>Change in Fixed Assets</u>			
<u>Fixed Assets</u>	December 31, <u>2021</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2022</u>	
1410 Land	\$ 105,170	\$ -	\$ -	\$ 105,170	
1420 Buildings	1,143,732	35,385	-	1,179,117	
1450 Furniture for project/tenant use	78,737	-	-	78,737	
	<u>\$ 1,327,639</u>	<u>\$ 35,385</u>	<u>\$ -</u>	<u>\$ 1,363,024</u>	
	December 31, <u>2021</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2022</u>	
1495 Accum. Deprec.	<u>\$ 761,800</u>	<u>\$ 33,551</u>	<u>\$ -</u>	<u>\$ 795,351</u>	

Fixed asset additions for the year ended December 31, 2022:

Flooring	\$ 27,109
Kitchen remodel	3,076
Retaining wall	<u>5,200</u>
	<u>\$ 35,385</u>

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

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**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.

\_\_\_\_\_  
Executive Director

March 27, 2023  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Board Member

March 27, 2023  
\_\_\_\_\_  
Date

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

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**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 27, 2023

\_\_\_\_\_  
Executive Director  
Rainbow Village Properties  
1240 Dautel Lane  
St Louis, MO 63146

\_\_\_\_\_  
Date

EIN: 43-6071313

\_\_\_\_\_  
Property Manager