

**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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

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

**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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## **Independent Auditor's Report**

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of HUD Project No. 085-HD035-NP-WDD of Rainbow Village III, 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 management'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 management'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 III, 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 III, Inc.**  
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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.  
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Indianapolis, IN 46256  
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**Rainbow Village III, Inc.**  
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**Statements of Financial Position**  
**As of December 31, 2020 and 2019**

**Assets**

	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash - operations	\$ 3,685	\$ 566
Total current assets	3,685	566
<b>Deposits Held in Trust</b>		
Tenant deposits held in trust	3,882	3,347
<b>Restricted Deposits</b>		
Replacement reserve	23,922	20,684
Residual receipts reserve	300	300
Total restricted deposits	24,222	20,984
<b>Property and Equipment</b>		
Land	135,000	135,000
Buildings	1,009,211	1,004,224
Furniture for project/tenant use	43,047	43,047
Total property and equipment	1,187,258	1,182,271
Accumulated depreciation	(450,297)	(423,822)
Net property and equipment	736,961	758,449
<b>Total Assets</b>	\$ 768,750	\$ 783,346

**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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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>
<b>Current Liabilities</b>		
Accounts payable - operations	\$ 71,360	\$ 45,256
Total current liabilities	<u>71,360</u>	<u>45,256</u>
<b>Deposit Liabilities</b>		
Tenant deposits held in trust	<u>3,414</u>	<u>3,344</u>
<b>Long-Term Liabilities</b>		
Mortgage (or bonds) payable-first mortgage (or bonds)	120,000	120,000
Other mortgages payable (long-term)	<u>471,807</u>	<u>471,807</u>
Total long-term liabilities	<u>591,807</u>	<u>591,807</u>
<b>Total Liabilities</b>	<u>666,581</u>	<u>640,407</u>
<b>Net Assets Without Donor Restrictions</b>	<u>102,169</u>	<u>142,939</u>
Total net assets	<u>102,169</u>	<u>142,939</u>
<b>Total Liabilities and Net Assets (Deficit)</b>	<u>\$ 768,750</u>	<u>\$ 783,346</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>
<b>Income</b>		
Rental income	\$ 83,280	\$ 85,968
Interest income	8	14
Other income	<u>2,400</u>	<u>162</u>
Total income	<u>85,688</u>	<u>86,144</u>
<b>Expenses</b>		
Administrative expenses	27,614	25,934
Utility expenses	18,328	17,290
Operating and maintenance expenses	36,344	33,485
Taxes and insurance	<u>17,697</u>	<u>15,776</u>
Total cost of operations before depreciation	<u>99,983</u>	<u>92,485</u>
Change in net assets (deficit) without donor restrictions before depreciation	(14,295)	(6,341)
Depreciation expense	<u>26,475</u>	<u>26,375</u>
<b>Change In Net Assets (Deficit) Without Donor Restrictions</b>	(40,770)	(32,716)
<b>Net Assets (Deficit) Without Donor Restrictions, Beginning of Year</b>	<u>142,939</u>	<u>175,655</u>
<b>Net Assets (Deficit) Without Donor Restrictions, End of Year</b>	<u>\$ 102,169</u>	<u>\$ 142,939</u>



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

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Rental receipts	\$ 83,280	\$ 85,968
Interest receipts	8	14
Other receipts	2,400	162
	<hr/>	<hr/>
Total receipts	85,688	86,144
Administrative	(1,004)	(6,927)
Management fees	(5,309)	(5,309)
Utilities	(10,497)	(14,531)
Salaries and wages	(34,246)	(30,979)
Operating and maintenance	(5,126)	(9,764)
Property insurance	(8,160)	(8,055)
Miscellaneous taxes and insurance	(9,537)	(7,721)
Tenant security deposits	70	-
	<hr/>	<hr/>
Total disbursements	(73,809)	(83,286)
Net cash provided by (used in) operating activities	<hr/>	<hr/>
	11,879	2,858
<b>Cash Flows From Investing Activities</b>		
Purchase of fixed assets	(4,987)	-
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	(4,987)	-
	<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash and Restricted Cash</b>	6,892	2,858
<b>Cash and Restricted Cash , Beginning of Year</b>	<hr/>	<hr/>
	24,897	22,039
<b>Cash and Restricted Cash , End of Year</b>	<hr/>	<hr/>
	\$ 31,789	\$ 24,897

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

	<u>2020</u>	<u>2019</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	\$ (40,770)	\$ (32,716)
Adjustments to reconcile change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities		
Depreciation	26,475	26,375
Increase (decrease) in accounts payable	26,104	9,199
Increase (decrease) in tenant security deposits held in trust	<u>70</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 11,879</u>	<u>\$ 2,858</u>

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**Notes to Financial Statements**

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

**General**

Rainbow Village III, 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 811 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 three four-unit 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 Corporation has received funding under the United States Department of Housing and Urban Development's Section 811 Program and the HOME funds program.

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 III, 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 III, 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 III, Inc. is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of Rainbow Village III, 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	\$ 3,685	\$ 566
Tenant deposits held in trust	3,882	3,347
Replacement reserve	23,922	20,684
Residual Receipts	<u>300</u>	<u>300</u>
	<u>\$ 31,789</u>	<u>\$ 24,897</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

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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.

**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.

**Regulatory Agreement**

The Corporation has entered into a formal Regulatory Agreement with HUD, which provides, among other things, that:

Owner shall maintain a replacement reserve in a separate account by making monthly payments of \$271.

Owner shall not charge rents in excess of those established by HUD.

Any funds collected as security deposits shall be kept separate from all other funds in a trust account.

Owner shall establish and maintain a residual receipts fund by depositing residual receipts, as defined, within 90-days after the end of the annual fiscal period. These funds shall be disbursed only on the direction of HUD.

The owner assigns, pledges and mortgages to the mortgagor its rights to the rents, profits, income and charges of whatever sort, which it may receive or be entitled to receive from the operation of the mortgage property, subject, however, to any assignment of rents in the insured mortgage. Until default, the owner is permitted to

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collect and retain such rents, profits, income and charges.

The Regulatory Agreement also prohibits: (a) distributions of assets or income except out of surplus cash, as defined in the Regulatory Agreement; and (b) without the prior written approval of HUD, any conveyance, transfer or encumbrance of all or any part of the Corporation's real and personal property including any remodeling, additions, reconstruction or demolitions.

In the event of default under the Regulatory Agreement, HUD may request the holder of the mortgage to declare default, terminate any management agreement, and collect all rent or appoint a receiver.

**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 or Disposal 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 – HOME funds**

In April 2004, under the National Affordability Act 1990, the Corporation received HOME Funds in the amount of \$120,000. The Corporation is obligated to maintain the Corporation under an affordability period, as defined in the HOME Regulatory Agreement for a period of twenty years. Default from this agreement could result in the Corporation's liability to repay the HOME funds. These funds have been classified as a long-term liability until the Corporation satisfies its twenty year affordability period. These funds will be reclassified to income in the year ended December 31, 2024.

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**Note 3 – Section 811 Capital Advance**

In April 2004, under the National Affordability Act 1990, the Corporation was awarded a Section 811 Capital Advance in the amount of \$471,807. The Corporation is subject to certain restrictions under the Regulatory Agreement related to the Capital Advance. These restrictions include that the Corporation remain available for occupancy by eligible families until the maturity date of the Note (Capital Advance). These funds have been classified as a long-term liability, as they are evidenced with a mortgage note payable in the event of noncompliance, until the Corporation satisfies its twenty year compliance period. These funds will be recognized as revenue in the year ended December 31, 2024. In the event of default, the holder of the Note has the option to call the entire principal sum along with the interest of 5.375% per annum. As of December 31, 2020 and 2019, \$471,807 of this Capital Advance has been advanced to the Corporation.

**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 as of December 31, 2020 and 2019 is \$0 and \$0. 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, 2020 through April 30, 2021, allows for a management fee of \$36.87 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. During the years ended December 31, 2020 and 2019, \$5,309 and \$5,309, respectively, of management fees were incurred and paid.

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**Note 6 – Functional Expenses**

The Corporation’s functional expenses are as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Management and general	\$ 27,614	\$ 25,934
Program services - housing	<u>98,844</u>	<u>92,926</u>
	<u>\$ 126,458</u>	<u>\$ 118,860</u>

**Note 7 – Current Vulnerability Due To Certain Concentrations**

The Corporation’s sole asset is three individual group homes with four bedrooms in each individual group home. 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 – 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 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, during the years ended December 31, 2020 and 2019, a current liability of \$0 and \$0 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



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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.

**Note 11- Information on Liquidity**

The Corporation's main funding sources is tenant rental and tenant assistance rental income. There are no other significant sources of funding. Liquid assets include cash and amounts due from HUD for rental assistance. There are no board designations regarding these assets. In the event of an unanticipated liquidity need, the Corporation can use, with HUD approval, funds in the replacement reserves and residual receipts reserve.

The following represents financial assets available for cash needs for general expenditures within one year:

	<u>2020</u>	<u>2019</u>
Cash	\$ <u>3,685</u>	\$ <u>566</u>

## **Supplemental HUD Information**

**Rainbow Village III, 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>
<b>Current Assets</b>		
1120 Cash - operations	\$ 3,685	\$ 566
1100T Total current assets	<u>3,685</u>	<u>566</u>
<b>Deposits Held in Trust</b>		
1191 Tenant/patient deposits held in trust	<u>3,882</u>	<u>3,347</u>
<b>Restricted Deposits</b>		
1320 Replacement reserve	23,922	20,684
1340 Residual receipts reserve	<u>300</u>	<u>300</u>
1300T Total deposits	<u>24,222</u>	<u>20,984</u>
<b>Property and Equipment</b>		
1410 Land	135,000	135,000
1420 Buildings	1,009,211	1,004,224
1450 Furniture for project/tenant use	<u>43,047</u>	<u>43,047</u>
1400T Total fixed assets	1,187,258	1,182,271
1495 Accumulated depreciation	<u>(450,297)</u>	<u>(423,822)</u>
1400N Net fixed assets	<u>736,961</u>	<u>758,449</u>
<b>1000T Total Assets</b>	<u>\$ 768,750</u>	<u>\$ 783,346</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>
<b>Current Liabilities</b>		
2110 Accounts payable - operations	\$ 71,360	\$ 45,256
2122T Total current liabilities	<u>71,360</u>	<u>45,256</u>
<b>Deposit Liabilities</b>		
2191 Tenant/patient deposits held in trust (contra)	<u>3,414</u>	<u>3,344</u>
<b>Long-Term Liabilities</b>		
2320 Mortgage (or bonds) payable-first mortgage (or bonds)	120,000	120,000
2322 Other mortgages payable (long-term)	<u>471,807</u>	<u>471,807</u>
2300T Total long-term liabilities	<u>591,807</u>	<u>591,807</u>
<b>2000T Total Liabilities</b>	<u>666,581</u>	<u>640,407</u>
3131 <b>Net Assets Without Donor Restrictions</b>	<u>102,169</u>	<u>142,939</u>
3130 Total net assets	<u>102,169</u>	<u>142,939</u>
2033T <b>Total Liabilities and Net Assets</b>	<u>\$ 768,750</u>	<u>\$ 783,346</u>

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

**Project Revenue Accounts**

		<u>2020</u>		<u>2019</u>
<b>Rent revenue</b>				
5120	Rent revenue - gross potential	\$ 47,219	\$	40,098
5121	Tenant assistance payments	<u>40,045</u>		<u>45,870</u>
5100T	Total rent revenue	<u>87,264</u>		<u>85,968</u>
<b>Vacancies</b>				
5220	Apartments	<u>(3,984)</u>		-
5200T	Total vacancies	<u>(3,984)</u>		-
5152N	Net rental revenue (rent revenue less vacancies)	<u>83,280</u>		<u>85,968</u>
<b>Financial revenue</b>				
5410	Financial revenue - project operations	1		2
5440	Revenue from investments - replacement reserve	<u>7</u>		<u>12</u>
5400T	Total financial revenue	<u>8</u>		<u>14</u>
<b>Other revenue</b>				
5920	Tenant charges	<u>-</u>		<u>162</u>
5990	Miscellaneous revenue	<u>2,400</u>		<u>-</u>
5900T	Total other revenue	<u>2,400</u>		<u>162</u>
5000T	Total revenue	<u>85,688</u>		<u>86,144</u>

**Project Expense Accounts**

<b>Administrative expenses</b>				
6203	Conventions and meetings	-		140
6250	Other renting expenses	1,500		1,500
6310	Office salaries	12,164		10,478
6311	Office expenses	4,241		4,057
6320	Management fee	5,309		5,309
6350	Audit expense	4,400		4,400
6351	Bookkeeping fees/accounting services	<u>-</u>		<u>50</u>
6263T	Total administrative expenses	<u>27,614</u>		<u>25,934</u>

**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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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>
<b>Utility expenses</b>		
6450 Electricity	9,711	9,594
6451 Water	3,408	3,003
6452 Gas	1,087	1,309
6453 Sewer	<u>4,122</u>	<u>3,384</u>
6400T Total utilities expense	<u>18,328</u>	<u>17,290</u>
<b>Operating and maintenance expenses</b>		
6510 Payroll	22,082	20,501
6515 Supplies	4,860	3,160
6520 Contracts	5,748	7,145
6525 Garbage and trash removal	2,043	1,985
6530 Security payroll/contract	1,179	453
6546 Heating/cooling repairs and maintenance	45	61
6548 Snow removal	<u>387</u>	<u>180</u>
6500T Total operating and maintenance expenses	<u>36,344</u>	<u>33,485</u>
<b>Taxes and insurance</b>		
6711 Payroll taxes (project's share)	2,383	2,273
6720 Property and liability insurance (hazard)	8,160	8,055
6722 Workmen's compensation	1,614	390
6723 Health insurance and other employee benefits	5,481	4,999
6790 Miscellaneous taxes, licenses, permits and insurance	<u>59</u>	<u>59</u>
6700T Total taxes and insurance	<u>17,697</u>	<u>15,776</u>
<b>Operating Results</b>		
6000T Total cost of operations before depreciation	<u>99,983</u>	<u>92,485</u>
5060T Change in net assets (deficit) before depreciation	<u>(14,295)</u>	<u>(6,341)</u>
6600 Depreciation expense	<u>26,475</u>	<u>26,375</u>
5060N Operating profit or (loss)	<u>(40,770)</u>	<u>(32,716)</u>
<b>Change in unrestricted net assets (deficit)</b>	<u>\$ (40,770)</u>	<u>\$ (32,716)</u>
<b>Change in net assets from operations</b>		
3247 Change in net assets without donor restrictions	<u>\$ (40,770)</u>	<u>\$ (32,716)</u>
3250 Change in total net assets from operations	<u>\$ (40,770)</u>	<u>\$ (32,716)</u>

**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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

**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>\$ 3,252</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the profit and loss statement.	<u>\$ 21</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 III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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**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	\$ 142,939	\$ 175,655
3247 Change in Net Assets Without Donor Restrictions	<u>(40,770)</u>	<u>(32,716)</u>
3131 Net Assets Without Donor Restrictions	<u>\$ 102,169</u>	<u>\$ 142,939</u>
S1100-050 Previous Year Total Net Assets	\$ 142,939	\$ 175,655
3250 Change in Total Net Assets	<u>(40,770)</u>	<u>(32,716)</u>
3130 Total Net Assets	<u>\$ 102,169</u>	<u>\$ 142,939</u>



**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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

		<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>			
S1200-010	Rental receipts	\$ 83,280	\$ 85,968
S1200-020	Interest receipts	8	14
S1200-030	Other operating receipts	<u>2,400</u>	<u>162</u>
S1200-040	Total receipts	<u>85,688</u>	<u>86,144</u>
S1200-050	Administrative	(1,004)	(6,927)
S1200-070	Management fees	(5,309)	(5,309)
S1200-090	Utilities	(10,497)	(14,531)
S1200-100	Salaries and wages	(34,246)	(30,979)
S1200-110	Operating and maintenance	(5,126)	(9,764)
S1200-140	Property insurance	(8,160)	(8,055)
S1200-150	Miscellaneous taxes and insurance	(9,537)	(7,721)
S1200-160	Tenant security deposits	<u>(465)</u>	<u>(2)</u>
S1200-230	Total disbursements	<u>(74,344)</u>	<u>(83,288)</u>
S1200-240	Net cash provided by (used in) operating activities	<u>11,344</u>	<u>2,856</u>
<b>Cash Flows From Investing Activities</b>			
S1200-250	Net deposits to the reserve for replacement account	(3,238)	(3,249)
S1200-330	Net purchase of fixed assets	<u>(4,987)</u>	<u>-</u>
S1200-350	Net cash provided by (used in) investing activities	<u>(8,225)</u>	<u>(3,249)</u>
S1200-470	<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,119	(393)
S1200-480	<b>Beginning of Period Cash</b>	<u>566</u>	<u>959</u>
S1200T	<b>End of Period Cash</b>	<u>\$ 3,685</u>	<u>\$ 566</u>

**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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**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>
<b>Reconciliation of change in net assets (deficit) to net cash provided</b>		
<b>by (used in) operating activities</b>		
3250 Change in total net assets (deficit) from operations	\$ (40,770)	\$ (32,716)
Adjustments to reconcile change in net assets (deficit) to net cash provided		
by (used in) operating activities		
6600 Depreciation	26,475	26,375
S1200-530 Decrease (increase) in cash restricted for tenant security deposits	(535)	(2)
S1200-540 Increase (decrease) in accounts payable	26,104	9,199
S1200-580 Increase (decrease) in tenant security deposits held in trust	<u>70</u>	<u>-</u>
S1200-610 Net cash provided by (used in) operating activities	<u>\$ 11,344</u>	<u>\$ 2,856</u>

**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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

**Schedule of Replacement Reserves**

1320P	Balance at beginning of the year	\$ 20,684
1320DT	Total monthly deposits	3,252
1320INT	Interest on replacement reserve account	7
1320OWT	Other withdrawals - bank service fees	<u>(21)</u>
1320	Balance at end of the year	<u>\$ 23,922</u>
1320R	Deposits suspended or waived indicator	No

**Schedule of Residual Receipts**

1340P	Balance at beginning of the year	<u>\$ 300</u>
1340	Balance at end of the year	<u>\$ 300</u>

**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

**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	\$ 7,567
1135	Accounts receivable - HUD	\$ -
S1300-030	Other	\$ -
S1300-040	Total cash	\$ 7,567
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	\$ 71,360
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)	\$ 3,414
S1300-110	Other current obligations	\$ -
S1300-140	Total current obligations	\$ 74,774
S1300-150	Surplus cash (deficiency)	\$ (67,207)
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 III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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

		<u>Change in Fixed Assets</u>			
<u>Fixed Assets</u>	December 31, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2020</u>	
1410 Land	\$ 135,000	\$ -	\$ -	\$ 135,000	
1420 Buildings	1,004,224	4,987	-	1,009,211	
1450 Furniture for project/tenant use	43,047	-	-	43,047	
	<u>\$ 1,182,271</u>	<u>\$ 4,987</u>	<u>\$ -</u>	<u>\$ 1,187,258</u>	
	December 31, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2020</u>	
1495 Accum. Deprec.	<u>\$ 423,822</u>	<u>\$ 26,475</u>	<u>\$ -</u>	<u>\$ 450,297</u>	

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

Mold Remediation	<u>\$ 4,987</u>
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**Rainbow Village III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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**Mortgagor's Certification**

We hereby certify that we have examined the accompanying financial statements and supplementary information of Rainbow Village III, 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 III, Inc.**  
**HUD Project No. 085-HD035-NP-WDD**

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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 III, 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