

**RAINBOW VILLAGE, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023



www.warrenaverett.com

The report accompanying this deliverable was issued
by Warren Averett, LLC.

**RAINBOW VILLAGE, INC.
AND SUBSIDIARY
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DECEMBER 31, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rainbow Village, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated statement of Rainbow Village, Inc. and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audit, significant audit findings and certain internal control related matters that we identified during the audit.

Warren Averett, LLC

Atlanta, Georgia
November 5, 2024

**RAINBOW VILLAGE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

ASSETS

ASSETS

Cash and cash equivalents	\$ 1,654,658
Restricted cash	92,177
Investments	494,770
Investments held by others	687,232
Grant receivables	115,891
Prepaid expenses	20,314
Property and equipment, net	<u>7,067,125</u>
TOTAL ASSETS	<u>\$ 10,132,167</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 70,139
Resident deposits and savings	<u>107,177</u>
Total liabilities	<u>177,316</u>

NET ASSETS

Without donor restrictions	8,922,162
With donor restrictions	<u>1,032,689</u>
Total net assets	<u>9,954,851</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,132,167</u>

See notes to the consolidated financial statements.

**RAINBOW VILLAGE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 862,495	\$ 12,586	\$ 875,081
Capital campaign contributions	-	1,015,000	1,015,000
Grant revenue	-	392,497	392,497
Rental income	213,386	-	213,386
Other program income	7,437	-	7,437
Special events income (net of direct costs of \$151,717)	736,753	-	736,753
Investment income	118,073	-	118,073
Contributions – nonfinancial assets	50,283	-	50,283
Total public support and revenue	<u>1,988,427</u>	<u>1,420,083</u>	<u>3,408,510</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>458,344</u>	<u>(458,344)</u>	<u>-</u>
EXPENSES			
Program services	1,571,118	-	1,571,118
Management and general	313,521	-	313,521
Fundraising	580,900	-	580,900
Total expenses	<u>2,465,539</u>	<u>-</u>	<u>2,465,539</u>
CHANGE IN NET ASSETS	(18,768)	961,739	942,971
NET ASSETS AT:			
BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	6,657,538	2,354,342	9,011,880
ADJUSTMENTS	<u>2,283,392</u>	<u>(2,283,392)</u>	<u>-</u>
BEGINNING OF YEAR, AS ADJUSTED	<u>8,940,930</u>	<u>70,950</u>	<u>9,011,880</u>
END OF YEAR	<u>\$ 8,922,162</u>	<u>\$ 1,032,689</u>	<u>\$ 9,954,851</u>

See notes to the consolidated financial statements.

**RAINBOW VILLAGE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund Raising	
Salaries and wages	\$ 630,230	\$ 93,782	\$ 263,010	\$ 987,022
Payroll taxes	48,597	10,265	19,844	78,706
Employee benefits	33,732	7,124	12,967	53,823
Total salaries and related expenses	712,559	111,171	295,821	1,119,551
Bank/merchant fees	-	13,375	2,678	16,053
Resident and rental assistance	115,772	-	6,272	122,044
Other program costs	24,424	-	-	24,424
Youth program costs	4,107	-	-	4,107
Depreciation	239,948	12,651	-	252,599
Equipment rental	6,881	1,349	4,694	12,924
Insurance	42,082	10,355	9,210	61,647
Interest	-	1,708	-	1,708
Memberships	4,435	250	4,302	8,987
Office	12,133	5,451	3,847	21,431
Postage	10	2,735	100	2,845
Professional development	950	-	675	1,625
Professional fees	96,388	115,683	45,100	257,171
Promotional materials and service	-	-	11,618	11,618
Repairs and maintenance	87,754	6,875	2,971	97,600
Special events	-	-	170,908	170,908
Supplies	12,777	7,745	2,505	23,027
Taxes	3,644	2,431	-	6,075
Technology	31,462	9,359	16,192	57,013
Telephone	14,507	598	1,842	16,947
Utilities	161,285	11,785	2,165	175,235
TOTAL EXPENSES	\$ 1,571,118	\$ 313,521	\$ 580,900	\$ 2,465,539

See notes to the consolidated financial statements.

**RAINBOW VILLAGE, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 942,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	252,599
Net gains on investments	(75,839)
Contributions restricted for capital acquisition	(1,015,000)
(Increase) decrease in assets:	
Resident receivables	2,774
Grant receivables	(60,376)
Prepaid expenses	(11,558)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(30,141)
Resident deposits and savings	36,113
	<u>41,543</u>
Net cash provided by operating activities	<u>41,543</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(68,781)
Investments	(201,103)
	<u>(269,884)</u>
Net cash used in investing activities	<u>(269,884)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for capital acquisition	1,015,000
	<u>1,015,000</u>
Net cash provided by financing activities	<u>1,015,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	786,659
CASH AND CASH EQUIVALENTS AT:	
BEGINNING OF YEAR	<u>960,176</u>
END OF YEAR	<u>\$ 1,746,835</u>
Cash and cash equivalents – unrestricted	\$ 1,654,658
Cash and cash equivalents – restricted	92,177
	<u>\$ 1,746,835</u>

See notes to the consolidated financial statements.

**RAINBOW VILLAGE, INC.
AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. DESCRIPTION OF ORGANIZATION

Rainbow Village, Inc. (Rainbow Village or the Organization) is a not-for-profit corporation who provides families in domestic and/or economic crisis a healing environment to rebuild their lives through a community based transitional housing program that promotes self-sufficiency. Beyond providing the security of fully furnished homes, the Organization provides homeless families with targeted case management and requires the following participation level from family members: life-skills classes, job training and workforce development, financial literacy counseling, support groups and after-school and character-building programs for children and youth. Rainbow Village was founded in 1995 in Duluth, Georgia.

Most of the families served by the Organization transition within two years to an independent living situation. A majority of the formerly homeless families are single, female heads of households, many fleeing domestic violence. The Organization provides homes for thirty families serving an average of 100 adults, children and youth annually. Aftercare is provided to families for a minimum of two years. In addition, a mentoring program allows an opportunity for resident families to work with others who have successfully completed the program for support and encouragement.

The Rainbow Village Community Organization, LLC (the RV Community Organization) is a wholly owned subsidiary of Rainbow Village, Inc. This limited liability company was established in December 2014 and began operations in November 2015. The RV Community Organization was opened to help families handle the economic burden childcare creates for homeless working adults with children. The RV Community Organization also serves homeless children through before and after school programs, tutoring and other enrichment opportunities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit-Entities*, since Rainbow Village has a controlling interest in the RV Community Organization, the entities were consolidated and collectively referred to herein as Rainbow Village or the Organization.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Rainbow Village and the RV Community Organization. All inter-organization balances and transactions were eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of Rainbow Village have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities at year-end. Net assets, revenues, expenses, gains and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Rainbow Village and changes there-in are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may, or will be met, either by actions of the Organization and/or the passage of time.

**RAINBOW VILLAGE, INC.
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FOR THE YEAR ENDED DECEMBER 31, 2023**

Recently Adopted Accounting Guidance

Allowance for Credit Losses

In June 2016, the FASB issued ASC 326, *Financial Instruments – Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Revenues received, which are purpose restricted, are reported as increases in net assets with donor restrictions and subsequently released as the donor-stipulated time restriction ends or purpose restriction is accomplished. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions subject to donor-imposed restrictions that the corpus is maintained in perpetuity are recognized as increases in net assets with donor restrictions.

Grant revenue is primarily recognized as revenue in the period received. Grants receivable are expected to be collected in the subsequent year.

An allowance for uncollectible receivables is provided based on management's evaluation of potential uncollectible promises receivable at year end. Management does not consider any amounts to be uncollectible at December 31, 2023.

Contributions and Unconditional Promises to Give

Contributions, which include unconditional promises to give, are recorded and presented in accordance with FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give are recorded as received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are due in future years are recorded at the present value of their net realizable value, using risk adjusted discount rates.

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The Organization uses the allowance method to determine the uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises received. There were no pledges receivable as of December 31, 2023, and therefore no allowance for doubtful pledges at December 31, 2023.

Restrictions on contributions expire when a purpose or time restriction is accomplished. Upon satisfaction, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in restricted support at the time of receipt and as net assets released from restrictions upon satisfaction of the donor restriction.

Contributions – Nonfinancial Assets

Contributions of services are recognized if the services received create or enhance nonfinancial assets, or if the services require specialized skills that are provided by individuals possessing such skills that would typically need to be purchased if not provided by donation. The Organization receives numerous volunteer hours each year that are not valued in the consolidated financial statements because the services do not meet the criteria. The Organization received more than 1,500 volunteer hours during the year ended December 31, 2023.

For the year ended December 31, 2023, contributed professional services totaled \$50,283. Approximately \$20,000 was used to support the programs of Rainbow Village, and the remainder was used to support general and administrative activities. The services were valued at fair value provided by the donor.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of their short maturities. Restricted cash, which is required to be held in separate bank accounts, included amounts restricted for tenant savings accounts at December 31, 2023.

Concentrations of Credit and Market Risk

Rainbow Village maintains its cash in bank deposit accounts at financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation for up to statutory limits. The cash balances periodically exceed the federally insured limit. At December 31, 2023, the uninsured cash balance was approximately \$79,000.

There was no concentration of donor contributions during the year ended December 31, 2023.

Investments

Investments in marketable securities, with readily determinable fair values, and all investments in debt securities are reported at their fair values in the statements of financial position.

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Property and Equipment

The Organization capitalizes all expenditures for property, furniture and equipment in excess of \$5,000. Property and equipment are recorded at cost or fair value, if donated, and are depreciated using straight-line methods over their estimated useful lives as follows:

Buildings and improvements	15 – 30 years
Furniture and equipment	3 – 15 years
Vehicles	5 – 7 years

Compensated Absences

It is the Organization's policy to permit employees to accumulate earned, but unused, paid time off (PTO) benefits. In accordance with the provisions of FASB ASC 710-10-25, *Recognition of Compensated Absences*, no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, the amounts of such payments cannot be reasonably estimated, nor are they paid if an employee leaves the Organization. All PTO is accrued when earned; a maximum of 40 hours can be carried over to the next fiscal year.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, personnel and facilities costs have been allocated among the programs and supporting services benefited based on estimates of time and effort.

Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is classified as an organization which is not a private foundation under Section 509(a) of the IRC. The Organization qualifies for the charitable contribution deduction.

Fair Value of Financial Instruments

Financial instruments, primarily cash, receivables, and accounts payable, are reported at values which Rainbow Village believes are not significantly different from fair values. The Organization's investments are carried at fair value.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between December 31, 2023 and November 5, 2024, which is the date that the consolidated financial statements were available to be issued, for possible recognition in or disclosure in the financial statements. See Note 9.

3. INVESTMENTS

Investments Held by Others

The Organization invested assets with the Community Foundation of Northeast Georgia (the Community Foundation). The assets are held and managed by the Community Foundation and are a component of the financial statements of the Community Foundation. The assets are pooled with other funds held, and distributions are approved by the Community Foundation's Board. The Community Foundation has variance power and therefore could redirect the funds to another organization with similar or like programs if the Organization ceases to exist as a

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charitable entity. The investment is recorded as an asset of the Organization held by another organization in the statement of financial position, and any contributions that are received during the year are recorded as contribution revenue in the statement of activities and changes in net assets. Investment fees for the year ended December 31, 2023 were approximately \$9,000.

Other Investments

Investments are carried at fair value in accordance with FASB ASC 958-820, *Investments – Debt and Equity Securities for Not-For-Profit Organizations*. Under FASB 820, *Fair Value Measurements and Disclosures*, fair value measurements are disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in markets that are not active or based on valuation models for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Level 3 investments include situations where there is little, if any, market activity for the investments. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The following table summarizes the valuation of Rainbow Village’s financial instruments as of December 31, 2023, by the fair value hierarchy levels described above:

Investment	Total	Level 1	Level 2	Level 3
Fixed income	\$ 494,770	\$ -	\$ 494,770	\$ -
Investments held by others	687,232	-	-	687,232
	<u>\$ 1,182,002</u>	<u>\$ -</u>	<u>\$ 494,770</u>	<u>\$ 687,232</u>

The fair value of money market funds is valued based on cost, which approximates fair value. The fair value of mutual funds, equities, bonds and exchange traded funds is valued at the closing price reported on an active market on which the security is traded.

These methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Investment income consists of the following as of December 31, 2023:

Interest and dividend income	\$ 51,349
Net realized and unrealized gains	75,839
Brokerage fees	<u>(9,115)</u>
	<u>\$ 118,073</u>

4. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets (primarily five years). Leasehold improvements are amortized over the life of the lease. As of December 31, 2023, property and equipment, net consisted of:

Building	\$ 8,373,311
Land	565,952
Furniture and fixtures	437,718
Vehicles	<u>36,570</u>
	9,413,551
Less accumulated depreciation	<u>(2,346,426)</u>
	<u>\$ 7,067,125</u>

Depreciation expense of \$252,599 was recorded for the year ended December 31, 2023.

5. LINE OF CREDIT

The Organization had a line of credit with a bank with maximum available borrowings of up to \$500,000 through September 2022. The Organization entered into a new line of credit agreement with another bank in October 2023 with maximum available borrowings up to \$500,000. The line has an interest rate of the prime rate minus .25% with a floor rate of 7.25% (8.25% at December 31, 2023) and matures on October 31, 2024. The line did not have a balance at December 31, 2023.

**RAINBOW VILLAGE, INC.
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6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023:

Capital campaign	\$ 978,427
Aspire program	36,357
Academy	17,905
	<u>1,032,689</u>
	<u>\$ 1,032,689</u>

Net assets released from donor restrictions are as follows:

Thrive Alumni program	\$ 43,950
Capital campaign	81,573
Aspire program	267,426
Academy	65,395
	<u>458,344</u>
	<u>\$ 458,344</u>

7. LIQUIDITY AND FUNDS AVAILABILITY

The following table reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one-year, perpetual endowments and accumulated earnings net of appropriations within one year.

Financial assets:	
Cash and cash equivalents	\$ 1,654,658
Investments	494,770
Other receivables	115,891
	<u>2,265,319</u>
Financial assets, at year end	2,265,319
Less assets unavailable for general expenditures within one year:	
Net assets with donor purpose restrictions	<u>1,032,689</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,232,630</u>

**RAINBOW VILLAGE, INC.
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The Organization is substantially supported by contributions. Because a donor's restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditures within one year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

8. PRIOR PERIOD ADJUSTMENT

Rainbow Village restated the previously issued 2022 net assets due to a \$2,283,392 error in recording the building fund restrictions.

9. SUBSEQUENT EVENT

Rainbow Village started a capital campaign at the end of 2023 to purchase land, construct a housing facility and capacity building. Rainbow Village entered into an agreement to purchase property located in Duluth, Georgia. The purchase price for the property is \$450,000. The sale closed on January 26, 2024.