



RANDLE & ASSOCIATES, LLC
Certified Public Accountants

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024
WITH SUPPLEMENTAL INFORMATION

**RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8**

Table of Contents

	Page
Independent Auditors' Report	1-3
Identification of Lead Auditor	4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 15
Supplemental HUD Information	
Statements of Financial Position	17
Statements of Activities	18
Statement Data Required by HUD Part II	19
Statement of Changes in Net Assets	20
Statement of Cash Flows	21-22
Other Information and Replacement Reserves	23
Computation of Surplus Cash	24
Fixed Assets and Accumulated Depreciation	25
Mortgagor's Certification	26
Management Agent's Certification	27



RANDLE & ASSOCIATES, LLC, CPA

Certified Public Accountant

(314) 731-8085

www.randlecpa.com

70 Black Jack Ct.
Florissant, MO 63033

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, 2025 and 2024 and the related statements of activities and changes in net assets (deficit) 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, 2025 and 2024 and the changes in its net assets (deficit) 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, 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 applied in the audit 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.

Rendell & Associates, LLC, CPAs

April 9, 2026
Florissant, MO

**RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8**

Identification of Lead Auditor

Name: Jeffery J. Randle, CPA
Title: Managing Member
Telephone: (314) 731-8085
Firm ID Number: 43-1909596
Address: Randle & Associates, LLC
Certified Public Accountants
70 Black Jack Ct.
Florissant, MO 63033

UII Number: MC1459

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets		
Cash - Operations	\$ -	\$ 11,603
Accounts receivable	-	-
Total current assets	-	11,603
Deposits Held in Trust		
Tenant deposits held in trust	5,879	5,855
Restricted Deposits		
Replacement reserve	82,068	74,976
Residual receipts reserve	2,675	7,978
Total restricted deposits	84,743	82,954
Property and Equipment		
Land	105,170	105,170
Buildings	1,163,166	1,200,572
Furniture and equipment	26,625	78,737
Total property and equipment	1,294,961	1,384,479
Less accumulated depreciation	(877,609)	(864,127)
Net property and equipment	417,352	520,352
Total assets	\$ 507,974	\$ 620,764
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable-operations	\$ 146	\$ 388
Bank overdraft	999	-
Miscellaneous current liabilities	-	4,455
Notes and mortgages payable-current	13,746	13,002
Total current liabilities	14,891	17,845
Tenant security deposits	5,655	5,528
Notes and mortgages payable-long term	270,979	286,898
Debt issuance costs	(961)	(1,256)
Total Liabilities	290,564	309,015
Net assets		
Without donor restrictions	217,410	311,749
Total net assets	217,410	311,749
Total liabilities and net assets	\$ 507,974	\$ 620,764

The accompanying notes are an integral part of the financial statements.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025 and 2024

	2025	2024
	Without Donor Restrictions	Without Donor Restrictions
INCOME		
Rental income	205,781	193,693
Interest and dividends	1,892	1,516
Loss on disposal of asset	(82,561)	-
Other revenue	33,702	16,038
Total	158,814	211,247
EXPENSES		
Administrative and general	99,329	77,103
Utilities	35,695	32,401
Operating and maintenance	31,398	43,859
Taxes, insurance, and benefits	33,052	24,236
Interest	17,113	17,587
Total cost of operations before depreciation	216,587	195,186
Change in net assets (deficit) without donor restrictions before depreciation	(57,773)	16,061
Depreciation expense	36,566	34,291
Change in net assets (deficit) without donor restrictions	(94,339)	(18,230)
Net Assets, Beginning of Year	311,749	329,979
Prior period adjustment	-	-
Net Assets, Beginning of Year-Restated	311,749	329,979
Net Assets, End of Year	\$ 217,410	\$ 311,749

The accompanying notes are an integral part of the financial statements.

RAINBOW VILLAGE II INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (94,339)	\$ (18,230)
Depreciation	36,566	34,291
Amortization of debt issuance costs	295	295
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss on disposal of fixed assets	82,561	
Increase in other current assets	-	633
Decrease in accounts payable	(242)	(5,750)
Decrease in accrued management fee	-	(627)
Decrease (increase) in tenant security deposits	127	562
Decrease other liabilities	(4,455)	
Due to/from other entity	-	-
	20,513	11,174
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of fixed assets	(16,127)	(6,585)
	(16,127)	(6,585)
NET CASH USED FOR INVESTING ACTIVITIES		
CASH FLOWS USED/(PROVIDED) FOR FINANCING ACTIVITIES:		
Loan repayments and forgiveness	(15,175)	(14,307)
	(15,175)	(14,307)
NET CASH USED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	(10,789)	(9,718)
CASH AND CASH EQUIVALENTS, Beginning of year	100,412	110,130
CASH AND CASH EQUIVALENTS, End of year	\$ 89,623	\$ 100,412

The accompanying notes are an integral part of the financial statements.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities

Rainbow Village II, Inc. (Corporation) is a 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 consist of four 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.

Change in Accounting Principles

For the year ended December 31, 2024, the Corporation implemented FASB, *ASU 2016-02, Leases (Topic 842)*. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. These changes were incorporated in the Corporation's December 31, 2024 financial statements, but did not have an effect on the beginning net assets.

Basis of Accounting

The Corporation maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligations are incurred.

Basis of Presentation

The Corporation reports 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.

Net Assets without Donor Restrictions: Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions: Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Notes to the Financial Statements
December 31, 2025 and 2024

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less. Excluded from this definition are cash held for residents.

The Corporation maintains cash balances at various domestic financial institutions which at times may exceed the federally insured limits. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. The Corporation has not experienced any losses in any accounts and believes it is not exposed to any significant losses on cash.

Tenant Security Deposits-Restricted Cash

The Corporation maintains a separate cash escrow account in which funds are held on behalf of residents. These funds are exclusively held for the residents and are not available to pay the Corporation's expenses. The Corporation holds these funds for residents until their departure from the property or forfeited from violating lease terms.

Restricted Deposits and Funded Reserves

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

Impairment of Long-Lived Assets

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended December 31, 2024, management determined that no impairment loss needs to be recognized.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity and realized as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition for Contracts With Customers

The Corporation revenue streams under contracts with customers are comprised of rental and other tenant services which include property rental income and other income from tenants, which are all set forth in the tenant lease agreement. Rental income is recognized on a straight-line basis over the lease terms, which are generally more than one year. Other income is recognized in accordance with the terms of the lease contract.

For rental and other tenant services identified, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Corporation determined whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered include a pattern of transfer, whether customers can benefit from resources, and whether the resources are readily available. The Corporation's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Corporation recognized the revenue over a period of time if the customer receives and consumes the benefit the Corporation provided, or if the Corporation performance does not create an asset with alternative use and has an enforceable right to payment for the performance.

The revenue is recognized at a given point in time when the control of the goods or services are transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods.

The transaction price is calculated as the amount of consideration to which the Corporation expects to be entitled. In some situations, the Corporation bills customers and collects cash prior to the satisfaction of performance obligation, which results in the Corporation recognizing contract liabilities upon receipt of payment.

Tenant Receivables and Bad Debts

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move-out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rental income, security deposit, or charges for damages and cleaning fees. The Corporation does not accrue interest on the tenant receivable balance.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements for the year then ended.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

The Corporation is subject to various risk 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.

Property and Equipment

Property and equipment are reported at cost, if purchased, or fair value at the date of donation. Depreciation is computed on a straight-line basis of depreciation. Depreciation computed over the estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Financial Instruments

The carrying value of cash, notes receivable, and accrued expenses approximate fair value due to the short-term maturities of these instruments.

Estimates

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

Allocation of Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Corporation is tax-exempt under Section 501(c)(3) of the Internal Revenue Service Code. As such, the Corporation is only taxed on income from activities unrelated to its charitable purpose. There was no unrelated business income for 2025 and 2024; therefore, the statements do not include any provision for income taxes.

The Corporation has adopted the standards for accounting for uncertainty in income taxes and management is not aware of any uncertain tax provisions of the Corporation related to its tax filings.

The Corporation continually evaluates the effects of all tax positions taken, including expiring statutes of limitations, tax eliminations, unrelated business income and new authoritative rulings.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Income Tax Status (continued)

The Corporation files federal information returns (Form 990). The statutes of limitations for information returns filed for years ended December 31, 2023 through 2025 have not expired and therefore are subject to examination.

Donated Services

No amounts have been reflected in the financial statements for the year ended December 31, 2025 and 2024 for donated services. The Corporation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation in providing its mission.

New Accounting Standards Implemented

In June 2016, the US Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*. This ASU created a new model for recognizing losses on financial instruments, the Current Expected Credit Loss (CECL) model. The CECL model aims to provide more timely recognition of credit losses. It requires entities to recognize credit losses on receivables based on expected future losses, as opposed to the incurred loss model where losses are booked when probable. This shift in approach aims to provide a more forward-looking and timely approach to recognizing credit loss to the users of financial statements. The Corporation adopted this standard which did not have a material impact on the financial statements.

NOTE 2 – Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the accompanying statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	2025	2024
Cash and cash equivalents	\$ (999)	\$ 11,603
Tenant deposits held in trust	5,879	5,855
Replacement reserve	82,068	74,976
Residual receipts	<u>2,675</u>	<u>7,978</u>
Total cash, cash equivalents, and restricted cash	\$ <u>89,623</u>	\$ <u>100,412</u>

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, 2021 allows for a management fee of \$45 per unit per month.

Management fees in the amount of \$10,584 and \$8,427 were expensed during the years ending December 31, 2025 and 2024, respectively.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE 4 – Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2025	2024
Land	\$ 105,170	\$ 105,170
Buildings and improvements	1,163,166	1,200,572
Furniture and equipment	<u>26,625</u>	<u>73,737</u>
	1,294,961	1,379,479
Accumulated Depreciation	<u>(877,609)</u>	<u>(864,623)</u>
Property & Equipment, Net	\$ <u>417,352</u>	\$ <u>514,856</u>

Depreciation expense amounted to \$36,566 and \$34,291 for December 31, 2025 and 2024, respectively.

NOTE 5 – Functional Expenses

The functional expenses are as follows:

	<u>2025</u>	<u>2024</u>
Management and general	\$ 59,791	\$ 32,403
Program services – housing	<u>193,362</u>	<u>197,076</u>
Total expenses	\$ <u>253,153</u>	\$ <u>229,479</u>

NOTE 6 – Revenue Concentration

The Corporation's sole asset is seven individual group homes with five 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 7 – Debt Issuance Cost

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 are included in interest expense during the year ended December 31, 2025 and 2024. Accumulated amortization as of December 31, 2025 and 2024 was \$961 and \$1,256, respectively.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE 7 – Debt Issuance Cost (continued)

Amortization of debt issuance costs for the next five years in as follows:

2026	\$	295
2027		295
2028		295
2029		<u>76</u>
	\$	<u><u>961</u></u>

NOTE 8 – Long-Term Debt

Long-term debt as of December 31, 2025, consist of the following:

Promissory note with Montgomery Bank a 10-year amortization and a fixed rate of 5.50% annually. The loan is secured by residential property and matures May 10, 2029.	<u>284,725</u>
Total Payments	284,725
Less current maturities of long-term debt	<u>(13,746)</u>
Total Long-Term Debt	<u><u>270,979</u></u>

Estimated future maturities of long-term debt as of December 31, are as follows:

2026	\$	13,746
2027		14,532
2028		15,317
2029		<u>241,130</u>
	\$	<u><u>284,725</u></u>

NOTE 9 – Potential Contingent Liability

On June 19, 2015 HUD issued a communication to owners of Section 202 and 811 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, 2025 and 2024, a current liability of \$0 and \$4,455 representing excess project funds has been recorded.

NOTE 10 – Donated Services, Materials, and Facilities

Significant other contributions of goods and services have been made to the Corporation by unpaid volunteers to assist in the ongoing activities and programs. The values of these contributions are not reflected in these financial statements due to it not being susceptible to objective measurement of valuation.

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Notes to the Financial Statements
December 31, 2025 and 2024

NOTE 11 – Net Assets

Net assets without donor restrictions totaled \$217,410 and \$311,749 as of December 31, 2025 and 2024, respectively. There were no net assets with donor restrictions.

NOTE 12 – Liquidity and Availability of Financial Assets

As of December 31, 2025 and 2024, financial assets available for general expenditures within one year consist of the following:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ <u>89,623</u>	\$ <u>100,412</u>
Total financial assets	<u>89,623</u>	100,412
Less:		
Restricted cash	<u>90,622</u>	<u>(88,808)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>(999)</u></u>	\$ <u><u>11,603</u></u>

The Corporation’s liquidity management practices include structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 13 – Retirement Plan

The Corporation has established the Rainbow Village Retirement Plan, also known as a 403(b) plan or TSA (Tax Sheltered Annuity). To be eligible, employees must work at least 30 hours per week, in addition to 1,000 hours in a plan year, and are eligible immediately with immediate entry into the plan. The Corporation will begin making a contribution after two years of service. The Corporation contribution to the plan for the year ended December 31, 2025 and 2024 was \$997 and \$1,406.

Note 14 – Subsequent Events

The date to which events occurring after December 31, 2025 have been evaluated for possible adjustment to the financial statements or disclosure is April 9, 2026, which is the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Supporting Data Required by HUD - Statement of Financial Position
For the Year Ended December 31, 2025 and 2024

		2025	2024
ASSETS			
Current assets			
1120	Cash - Operations	\$ -	\$ 11,603
	Total current assets	-	11,603
Deposits Held in Trust			
1191	Tenant/patient deposits held in trust	5,879	5,855
Restricted Deposits			
1320	Replacement reserve	82,068	74,976
1340	Residual receipts reserve	2,675	7,978
1300T	Total deposits	84,743	82,954
Property and Equipment			
1410	Land	105,170	105,170
1420	Buildings	1,163,166	1,200,572
1450	Furniture for project/tenant use	26,625	78,737
1400T	Total fixed assets	1,294,961	1,384,479
1495	Less accumulated depreciation	(877,609)	(864,127)
1400N	Net property and equipment	417,352	520,352
1000T	Total assets	\$ 507,974	\$ 620,764
LIABILITIES AND NET ASSETS			
Current liabilities			
2110	Accounts payable-operations	\$ 146	\$ 388
2105	Bank overdraft-operations	999	-
2190	Miscellaneous current liabilities	-	4,455
2174	Notes and mortgages payable-current	13,746	13,002
2122T	Total current liabilities	14,891	17,845
Deposit Liabilities			
2191	Tenant security deposits	5,655	5,528
Long-term liabilities			
2310	Notes and mortgages payable-long term	270,979	286,898
2340	Debt issuance costs	(961)	(1,256)
2300T	Total long-term liabilities	270,018	285,642
2000T	Total liabilities	290,564	309,015
Net assets			
3131	Without donor restrictions	217,410	311,749
3130	Total net assets	217,410	311,749
2033T	Total liabilities and net assets	\$ 507,974	\$ 620,764

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Supporting Data Required by HUD-Statement of Activities
for the Year Ended December 31, 2025 and 2024

		<u>2025</u>	<u>2024</u>
Project Revenue Accounts Rent Revenue			
5120	Rent revenue-gross potential	84,154	86,473
5121	Tenant assistance payment	121,627	107,220
5100T	Total rent revenue	<u>205,781</u>	<u>193,693</u>
Vacancies			
5220	Apartments	-	-
5200T	Total vacancies	-	-
5152N	Net rental revenue (rent revenue less vacancies)	<u>205,781</u>	<u>193,693</u>
Financial revenue			
5430	Revenue from investments - residual receipts reserve	1,848	1,500
5440	Revenue from investments - residual replacement reserve	16	16
5490	Revenue from investments - miscellaneous	28	-
	Loss on disposal of fixed assets	-	-
5400T	Total financial revenue	<u>1,892</u>	<u>1,516</u>
Other revenue			
5990	Miscellaneous revenue	33,702	16,038
5900T		<u>33,702</u>	<u>16,038</u>
5000T	Total revenue	<u>241,375</u>	<u>211,247</u>
Project Expense Accounts			
Administrative and general			
6250	Other renting expenses	353	(12,495)
6310	Office salaries	40,343	26,366
6311	Office expenses	1,217	9,860
6320	Management fee	10,584	8,427
6350	Audit expense	6,584	-
6370	Bad debts	710	316
6263T	Total administrative expenses	<u>59,791</u>	<u>32,474</u>
Utilities			
6450	Electricity	13,727	12,781
6451	Water	7,218	6,309
6452	Gas	6,695	7,061
6453	Sewer	6,525	5,585
6400T	Total utilities expense	<u>34,165</u>	<u>31,736</u>
Operating and maintenance			
6510	Payroll	40,767	43,094
6515	Supplies	3,859	3,539
6520	Contracts	20,419	39,390
6525	Garbage and trash removal	716	593
6546	Heating/cooling repairs and maintenance	1,735	930
6580	Lease Expense	-	278
6590	Miscellaneous operating and maintenance expenses	5,385	-
6500T	Total operating and maintenance expenses	<u>72,881</u>	<u>87,824</u>
Taxes, insurance, and benefits			
6711	Payroll taxes (project's share)	6,100	5,739
6720	Property and liability insurance	20,248	14,609
6722	Workmen's compensation	-	1,350
6723	Health insurance and other employee benefits	2,484	3,888
6700T	Total taxes and insurance	<u>28,832</u>	<u>25,586</u>
Financial expenses			
6830	Interest on Notes Payable	16,403	17,271
6890	Miscellaneous taxes, licenses, permits, and insurance	86,781	-
6800T	Total financial expenses	<u>103,184</u>	<u>17,271</u>
Operating Results			
6000T	Total cost of operations before depreciation	<u>298,853</u>	<u>194,891</u>
5060T	Change in net assets (deficit) before depreciation	<u>(57,478)</u>	<u>16,356</u>
6600	Depreciation expense	36,566	34,291
6610	Amortization expense	295	295
5060N	Operating profit or (loss)	<u>(94,339)</u>	<u>(18,230)</u>
	Change in net assets (deficit)	<u>(94,339)</u>	<u>(18,230)</u>
Change in net assets from operations			
3247	Change in net assets without donor restrictions	-	-
3250	Change in net assets from operations	<u>\$ (94,339)</u>	<u>\$ (18,230)</u>

RAINBOW VILLAGE II, INC. HUD PROJECT NO. 085-EH-152-NP-WDD-L8
 Supporting Data Required by HUD-Part II
 for the Year Ending December 31, 2024

	2025	2024
PART II		
S1000-010 Total mortgage (or bond) principal payments required during the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured mortgages.		
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.	5,244	4,807
S1000-030 Replacement reserve, or residual receipts and releases which are included as expense items on the profit and loss statement.	5,319	22,118
S1000-040 Project improve reserve releases under the flexible subsidy program that are included as expense items on the profit and loss statement.		

RAINBOW VILLAGE II, INC.
 HUD PROJECT NO. 085-EH-152-NP-WDD-L8
 Supporting Data Required by HUD-Statements of Changes in Net Assets
 for the Year Ended December 31, 2025 and 2024

		<u>2025</u>	<u>2024</u>
S1100-060	Previous Year Net Assets Without Donor Restrictions	311,749	329,979
3247	Changes in Net Assets Without Donor Restrictions	(94,339)	(18,230)
S1100-065	Other Changes in Net Assets Without Donor Restrictions - prior period adjustment	-	-
3131	Net Assets Without Donor Restrictions	<u>217,410</u>	<u>311,749</u>
S1100-050	Previous Year Total Net Assets	311,749	329,979
3250	Changes in Total Net Asset from Operations	(94,339)	(18,230)
S1100-055	Other Changes in Net Assets Without Donor Restrictions	-	-
3130	Total Net Assets	<u>217,410</u>	<u>311,749</u>

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Supporting Data required by HUD-Statement of Cash Flows
For the Year Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
S1200-010 Rental receipts	\$ 205,781	\$ 193,693
S1200-020 Interest receipts	1,892	2,149
S1200-030 Other operating receipts	<u>29,247</u>	<u>16,028</u>
S1200-040 Total receipts	<u>236,920</u>	<u>211,870</u>
S1200-050 Administrative	8,107	3,143
S1200-070 Management fees	10,584	9,054
S1200-090 Utilities	34,165	31,736
S1200-100 Salaries and wages	81,110	69,460
S1200-110 Operating and maintenance	32,114	45,008
S1200-140 Property insurance	20,248	14,609
S1200-150 Miscellaneous taxes and insurance	8,584	10,977
S1200-160 Tenant security deposits	(127)	(562)
S1200-180 Mortgage interest	16,403	17,271
S1200-220 Miscellaneous financial	<u>4,220</u>	<u>-</u>
S1200-230 Total disbursements	<u>215,408</u>	<u>200,696</u>
S1200-240 Net cash provided by (used in) operating activities	<u>21,512</u>	<u>11,174</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
S1200-250 Net withdrawals to the reserve for replacement account	(7,092)	15,811
S1200-255 Net deposits to other reserves	(24)	(1,119)
S1200-260 Net deposits to the residual receipts account	5,303	(16)
S1200-330 Net purchase of fixed assets	<u>(16,127)</u>	<u>(6,585)</u>
S1200-350 Net cash provided by (used in) investing activities	<u>(17,940)</u>	<u>8,091</u>
CASH FLOWS USED/(PROVIDED) FOR FINANCING ACTIVITIES:		
S1200-370 Principal payments on loans or notes payable	<u>(15,175)</u>	<u>(14,307)</u>
S1200-460 Net cash provided by (used in) financing activities	<u>(15,175)</u>	<u>(14,307)</u>
S1200-470 Net Increase (Decrease) in Cash and Cash Equivalents	(11,603)	4,958
S1200-480 CASH AND CASH EQUIVALENTS, Beginning of year	<u>11,603</u>	<u>6,645</u>
S1200T CASH AND CASH EQUIVALENTS, End of year	<u>\$ -</u>	<u>\$ 11,603</u>

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Supporting Data Required by HUD-Statement of Cash Flows (Continued)
For the Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of change in net assets (deficit) to net cash provided		
by (used in) operating activities		
3250 Change in total assets from operations	\$ (94,339)	\$ (18,230)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
6600 Depreciation	36,566	34,291
S1200-486 Amortization of debt issuance costs	295	295
S1200-540 Decrease (increase) in accounts payable	(3,698)	(5,750)
S1200-560 Decrease (increase) in accrued liabilities	-	6
Loss on disposal of fixed assets	82,561	
S1200-580 Decrease (increase) in tenant security deposits held in trust	127	562
S1200-610 Net cash provided by (used in) operating activities	21,512	11,174

RAINBOW VILLAGE II, INC.
 HUD PROJECT NO. 085-EH-152-NP-WDD-L8
 Supporting Data Required by HUD-
 Other Information and Replacement Reserves December 31, 2025 and 2024

		<u>2025</u>	<u>2024</u>
1320P	Balance at beginning of the	\$ 74,976	\$ 90,787
1320ODT	Other deposits-self funded	5,244	4,807
1320INT	Interest on replacement reserve account	1,848	1,500
1320WT	Approved withdrawals	<u>-</u>	<u>(22,118)</u>
1320	Balance at end of the year	<u>\$ 82,068</u>	<u>\$ 74,976</u>
1320R	Deposits suspended or waived indicator	Yes	Yes

Schedule of Residual Receipts

1340P	Balance at the beginning of	\$ 7,978	\$ 7,962
1340INT	Interest on residual receipts account	16	16
1340WT	Approved withdrawals	(5,316)	-
1340OWT	Other withdrawals	<u>(3)</u>	<u>-</u>
1340	Balance at the end of the year	<u>2,675</u>	<u>7,978</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, 2025 and 2024

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

Account		Description	2025 Value	2024 Value
S1300-010	Cash		\$ 5,879	\$ 17,458
1135	Accounts receivable-HUD		-	-
S1300-030	Other-entity cash		-	-
S1300-040	Total cash		\$ 5,879	\$ 17,458
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		\$ 146	\$ 388
S1300-080	Loans and notes payable (due within 30 days)		\$ 13,746	\$ 13,002
S1300-090	Deficient tax insurance or mip escrow deposits			
S1300-100	Accrued expenses (not escrowed)		\$ -	\$ 4,455
2210	Prepaid revenue			
2191	Tenant/patient deposits held in trust (contra)		\$ 5,655	\$ 5,528
S1300-110	Other current obligations		\$ -	\$ -
S1300-140	Total current obligations		\$ 19,547	\$ 23,373
S1300-150	Surplus cash (deficiency)		\$ (13,668)	\$ (5,915)
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 the next fiscal period			
S1300-203	Incentive performance fee payable			
S1300-204	Percentage surplus cash split			
S1300-205	Surplus cash available for second mortgage payments			
S1300-206	Surplus cash available for distribution			
S1300-210	Deposit due residual receipts			

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8
Supporting Data Required by HUD-
Fixed Assets and Accumulated Depreciation December 31, 2025 and 2024

CHANGE IN FIXED ASSETS

<u>Fixed Assets</u>	<u>December 31, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2025</u>
1410 Land	105,170	-	-	105,170
1420 Buildings	1,200,573	16,126	(53,533)	1,163,166
1450 Furniture for project/tenant use	78,737	-	(52,112)	26,625
	<u>1,384,480</u>	<u>16,126</u>	<u>(105,645)</u>	<u>1,294,961</u>
	<u>December 31, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2025</u>
1495 Accumulated Depreciation	864,127	36,566	(23,084)	877,609
	<u>864,127</u>	<u>36,566</u>	<u>(23,084)</u>	<u>877,609</u>
	<u>December 31, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2024</u>
1410 Land	105,170	-	-	105,170
1420 Buildings	1,193,990	6,583	-	1,200,573
1450 Furniture for project/tenant use	78,737	-	-	78,737
	<u>1,377,897</u>	<u>6,583</u>	<u>-</u>	<u>1,384,480</u>
	<u>December 31, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2024</u>
1495 Accumulated Depreciation	829,836	34,291	-	864,127
	<u>829,836</u>	<u>34,291</u>	<u>-</u>	<u>864,127</u>

RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8

Mortgagor's Certification

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

Executive Director

Date

Board Member

Date

**RAINBOW VILLAGE II, INC.
HUD PROJECT NO. 085-EH-152-NP-WDD-L8**

Management Agent's Certification

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

Matt Elmore, Executive Director
Rainbow Village II, Inc.
1240 Dautel Lane
St. Louis, MO 63146
Phone: 314-567-1522
EIN: 68-0574765

Date