

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

Audited Financial Statements
December 31, 2023 and 2022
With Supplemental Information

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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

Opinion

We have audited the accompanying financial statements of Rainbow Village III, Inc. which comprise the statements of financial position as of December 31, 2023 and 2022, 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 III, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rainbow Village III, 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 III, 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 III, 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 III, 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in addition to the financial statements as a whole.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
October 25, 2024

Rainbow Village III, Inc.
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Identification of Lead Auditor

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Firm ID Number: 35-2119569
Address: c/o Comer, Nowling And Associates, P.C.
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Rainbow Village III, Inc.
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Statements of Financial Position
As of December 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash - operations	\$ 3,750	\$ 782
Tenant accounts receivable	<u>683</u>	<u>-</u>
Total current assets	<u>4,433</u>	<u>782</u>
Deposits Held in Trust		
Tenant deposits held in trust	<u>5,919</u>	<u>3,409</u>
Restricted Deposits		
Replacement reserve	34,273	30,486
Residual receipts reserve	<u>301</u>	<u>301</u>
Total restricted deposits	<u>34,574</u>	<u>30,787</u>
Property and Equipment		
Land	135,000	135,000
Buildings	1,037,233	1,024,031
Furniture for project/tenant use	<u>43,047</u>	<u>43,047</u>
Total property and equipment	1,215,280	1,202,078
Accumulated depreciation	<u>(529,666)</u>	<u>(503,208)</u>
Net property and equipment	<u>685,614</u>	<u>698,870</u>
Total Assets	<u><u>\$ 730,540</u></u>	<u><u>\$ 733,848</u></u>

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Statements of Financial Position (Continued)
As of December 31, 2023 and 2022

Liabilities and Net Assets (Deficit)

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable - operations	\$ 1,490	\$ 110,609
Accrued management fee payable	534	-
Mortgage (or bonds) payable - first mortgage	120,000	-
Other mortgages payable (short term)	471,807	-
Total current liabilities	<u>593,831</u>	<u>110,609</u>
Deposit Liabilities		
Tenant deposits held in trust	<u>3,834</u>	<u>3,633</u>
Long-Term Liabilities		
Mortgage (or bonds) payable-first mortgage (or bonds)	-	120,000
Other mortgages payable (long-term)	<u>-</u>	<u>471,807</u>
Total long-term liabilities	<u>-</u>	<u>591,807</u>
Total Liabilities	<u>597,665</u>	<u>706,049</u>
Net Assets Without Donor Restrictions	<u>132,875</u>	<u>27,799</u>
Total net assets	<u>132,875</u>	<u>27,799</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 730,540</u>	<u>\$ 733,848</u>

Rainbow Village III, Inc.
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Statements of Activities and Changes in Net Assets (Deficit)
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Income		
Rental income	\$ 96,518	\$ 85,937
Interest income	308	81
Other income	<u>18,813</u>	<u>-</u>
Total income	<u>115,639</u>	<u>86,018</u>
Expenses		
Administrative expenses	26,687	32,666
Utility expenses	16,668	17,456
Operating and maintenance expenses	33,429	35,521
Taxes and insurance	<u>16,896</u>	<u>17,706</u>
Total cost of operations before depreciation	<u>93,680</u>	<u>103,349</u>
Change in net assets (deficit) without donor restrictions before depreciation	21,959	(17,331)
Depreciation expense	<u>26,458</u>	<u>26,164</u>
Change In Net Assets (Deficit) Without Donor Restrictions	(4,499)	(43,495)
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	27,799	71,294
Prior Period Adjustment	<u>109,575</u>	<u>-</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u>\$ 132,875</u>	<u>\$ 27,799</u>

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Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Rental receipts	\$ 95,835	\$ 85,937
Interest receipts	308	81
Other receipts	18,813	-
	<u>114,956</u>	<u>86,018</u>
Total receipts		
Administrative	(8,551)	(3,186)
Management fees	(5,874)	(6,408)
Utilities	(16,532)	(10,091)
Salaries and wages	(24,667)	(36,698)
Operating and maintenance	(20,170)	(4,709)
Property insurance	(10,802)	(9,628)
Miscellaneous taxes and insurance	(6,094)	(8,078)
Tenant security deposits	201	164
	<u>(92,489)</u>	<u>(78,634)</u>
Total disbursements		
Net cash provided by (used in) operating activities	<u>22,467</u>	<u>7,384</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	<u>(13,202)</u>	<u>(6,187)</u>
Net cash provided by (used in) investing activities	<u>(13,202)</u>	<u>(6,187)</u>
Net Increase (Decrease) in Cash and Restricted Cash	9,265	1,197
Cash and Restricted Cash , Beginning of Year	<u>34,978</u>	<u>33,781</u>
Cash and Restricted Cash , End of Year	<u>\$ 44,243</u>	<u>\$ 34,978</u>

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Statements of Cash Flows (Continued)
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities		
Change in net assets (deficit) without donor restrictions	\$ (4,499)	\$ (43,495)
Adjustments to reconcile change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities		
Depreciation	26,458	26,164
Decrease (increase) in tenant/member accounts receivable	(683)	-
Increase (decrease) in accounts payable	456	24,551
Increase (decrease) in accrued liabilities	534	-
Increase (decrease) in tenant security deposits held in trust	201	164
	<u>22,467</u>	<u>7,384</u>
Net cash provided by (used in) operating activities	<u>\$ 22,467</u>	<u>\$ 7,384</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, 2023 and 2022, 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, 2023 and 2022, cash consists of an operating checking account. As of December 31, 2023 and 2022, 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 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>2023</u>	<u>2022</u>
Cash	\$ 3,750	\$ 782
Tenant deposits held in trust	5,919	3,409
Replacement reserve	34,273	30,486
Residual Receipts	<u>301</u>	<u>301</u>
	<u>\$ 44,243</u>	<u>\$ 34,978</u>

Tenant Security Deposits

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

Restricted Deposits and Funded Reserves

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

Property and Equipment

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

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

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, 2023 and 2022.

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 until November 2023 when it increased to \$389.

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.

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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 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.

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.

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

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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.

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, 2023 and 2022, \$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, 2023 and 2022 is \$3,811 and \$0. Withdrawals from the Residual Receipts Fund may only be made with the approval of HUD.

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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 management agreement entered into on May 1, 2020, allows for a management fee of \$36.87 per unit per month. The management agreement entered into on May 1, 2021 allows for a management fee of \$44 per unit per month.

During the years ended December 31, 2023 and 2022, \$6,408 and \$6,408, respectively, of management fees were incurred and expensed. As of December 31, 2023 and 2022 \$534 and \$-, respectively were accrued.

Note 6 – Functional Expenses

The Corporation's functional expenses are as follows:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Management and general	\$ 26,687	\$ 32,666
Program services - housing	<u>93,451</u>	<u>96,847</u>
	<u>\$ 120,138</u>	<u>\$ 129,513</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.

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Note 9 – Potential Contingent Liability

On 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, 2023 and 2022, a current liability of \$0 and \$0 representing excess project funds has been recorded, respectively.

Note 10 – Fraud

During December 2023, management of the Corporation notified authorities of fraud that was discovered within the organization. Investigation is ongoing regarding the fraud. The employee involved in committing the fraud is no longer employed by the Corporation. The current amount due to the Foundation, which is included in the accounts payable-operations balance, was analyzed by an outside consultant hired by the Corporation. The necessary adjustments to the balance were incorporated into the audit as a prior period adjustment.

Note 11 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through October 25, 2024, 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 12- 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 reserve and residual receipts reserve.

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

	<u>2023</u>	<u>2022</u>
Cash	\$ <u>3,750</u>	\$ <u>782</u>

Note 13- Prior Period Adjustment

A prior period adjustment was made during the year ended December 31, 2023, to adjust the prior due to/due from accounts. The net effect of the adjustment was to increase equity by \$109,575.

Supplemental HUD Information

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

Supporting Data Required by HUD - Statements of Financial Position
As of December 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
1120 Cash - operations	\$ 3,750	\$ 782
1130 Tenant/member accounts receivable	683	-
1130N Net tenant accounts receivable	<u>683</u>	<u>-</u>
1100T Total current assets	<u>4,433</u>	<u>782</u>
Deposits Held in Trust		
1191 Tenant/patient deposits held in trust	<u>5,919</u>	<u>3,409</u>
Restricted Deposits		
1320 Replacement reserve	34,273	30,486
1340 Residual receipts reserve	<u>301</u>	<u>301</u>
1300T Total deposits	<u>34,574</u>	<u>30,787</u>
Property and Equipment		
1410 Land	135,000	135,000
1420 Buildings	1,037,233	1,024,031
1450 Furniture for project/tenant use	<u>43,047</u>	<u>43,047</u>
1400T Total fixed assets	1,215,280	1,202,078
1495 Accumulated depreciation	<u>(529,666)</u>	<u>(503,208)</u>
1400N Net fixed assets	<u>685,614</u>	<u>698,870</u>
1000T Total Assets	<u><u>\$ 730,540</u></u>	<u><u>\$ 733,848</u></u>

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Supporting Data Required by HUD - Statements of Financial Position
(Continued) As of December 31, 2023 and 2022

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current Liabilities		
2110 Accounts payable - operations	\$ 1,490	\$ 110,609
2123 Accrued management fee payable	534	-
2170 Mortgage (or bonds) payable - first mortgage (bonds) (short term)	120,000	-
2172 Other mortgages payable (short term)	<u>471,807</u>	<u>-</u>
2122T Total current liabilities	<u>593,831</u>	<u>110,609</u>
Deposit Liabilities		
2191 Tenant/patient deposits held in trust (contra)	<u>3,834</u>	<u>3,633</u>
Long-Term Liabilities		
2320 Mortgage (or bonds) payable-first mortgage (or bonds)	-	120,000
2322 Other mortgages payable (long-term)	<u>-</u>	<u>471,807</u>
2300T Total long-term liabilities	<u>-</u>	<u>591,807</u>
2000T Total Liabilities	<u>597,665</u>	<u>706,049</u>
3131 Net Assets Without Donor Restrictions	<u>132,875</u>	<u>27,799</u>
3130 Total net assets	<u>132,875</u>	<u>27,799</u>
2033T Total Liabilities and Net Assets	<u>\$ 730,540</u>	<u>\$ 733,848</u>

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

Supporting Data Required by HUD - Statements of Activities
For the Years Ended December 31, 2023 and 2022

Project Revenue Accounts		<u>2023</u>	<u>2022</u>
Rent revenue			
5120	Rent revenue - gross potential	\$ 62,303	\$ 59,481
5121	Tenant assistance payments	<u>38,857</u>	<u>38,871</u>
5100T	Total rent revenue	<u>101,160</u>	<u>98,352</u>
Vacancies			
5220	Apartments	<u>(4,642)</u>	<u>(12,415)</u>
5200T	Total vacancies	<u>(4,642)</u>	<u>(12,415)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>96,518</u>	<u>85,937</u>
Financial revenue			
5410	Financial revenue - project operations	9	2
5430	Revenue from investments - residual receipts reserve	-	1
5440	Revenue from investments - replacement reserve	<u>299</u>	<u>78</u>
5490	Revenue from investments-miscellaneous	<u>-</u>	<u>-</u>
5400T	Total financial revenue	<u>308</u>	<u>81</u>
Other revenue			
5990	Miscellaneous revenue - due to/from correction	<u>18,813</u>	<u>-</u>
5900T	Total other revenue	<u>18,813</u>	<u>-</u>
5000T	Total revenue	<u>115,639</u>	<u>86,018</u>

Project Expense Accounts

Administrative expenses			
6250	Other renting expenses	-	1,500
6310	Office salaries	11,568	14,479
6311	Office expenses	4,311	5,879
6320	Management fee	6,408	6,408
6350	Audit expense	<u>4,400</u>	<u>4,400</u>
6263T	Total administrative expenses	<u>26,687</u>	<u>32,666</u>

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

Supporting Data Required by HUD - Statements of Activities (Continued)
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Utility expenses		
6450 Electricity	9,173	8,929
6451 Water	2,829	2,484
6452 Gas	1,612	1,364
6453 Sewer	<u>3,054</u>	<u>4,679</u>
6400T Total utilities expense	<u>16,668</u>	<u>17,456</u>
Operating and maintenance expenses		
6510 Payroll	13,099	22,219
6515 Supplies	7,433	4,259
6520 Contracts	7,035	4,307
6525 Garbage and trash removal	2,952	2,519
6530 Security payroll/contract	1,901	2,004
6546 Heating/cooling repairs and maintenance	903	72
6548 Snow removal	<u>106</u>	<u>141</u>
6500T Total operating and maintenance expenses	<u>33,429</u>	<u>35,521</u>
Taxes and insurance		
6711 Payroll taxes (project's share)	1,758	2,406
6720 Property and liability insurance (hazard)	10,802	9,628
6722 Workmen's compensation	925	1,522
6723 Health insurance and other employee benefits	<u>3,411</u>	<u>4,150</u>
6700T Total taxes and insurance	<u>16,896</u>	<u>17,706</u>
Operating Results		
6000T Total cost of operations before depreciation	<u>93,680</u>	<u>103,349</u>
5060T Change in net assets (deficit) before depreciation	<u>21,959</u>	<u>(17,331)</u>
6600 Depreciation expense	<u>26,458</u>	<u>26,164</u>
5060N Operating profit or (loss)	<u>(4,499)</u>	<u>(43,495)</u>
Change in unrestricted net assets (deficit)	<u>\$ (4,499)</u>	<u>\$ (43,495)</u>
Change in net assets from operations		
3247 Change in net assets without donor restrictions	<u>\$ (4,499)</u>	<u>\$ (43,495)</u>
3250 Change in total net assets from operations	<u>\$ (4,499)</u>	<u>\$ (43,495)</u>

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

Supporting Data Required by HUD – Part II
For the Year Ended December 31, 2023

Part II

S1000-010	Total mortgage (or bond) principal payments required during the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured mortgages.	<u>\$ -</u>
S1000-020	Total of 12 monthly deposits in the audit year into the replacement reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	<u>\$ 3,488</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the profit and loss statement.	<u>\$ -</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

**Supporting Data Required by HUD – Statements of Changes in Net Assets
For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
S1100-060 Previous Year Net Assets Without Donor Restrictions	\$ 27,799	\$ 71,294
3247 Change in Net Assets Without Donor Restrictions	(4,499)	(43,495)
S1100-065 Other Changes in Net Assets Without Donor Restrictions- prior period adjustment	<u>109,575</u>	<u>-</u>
3131 Net Assets Without Donor Restrictions	<u>\$ 132,875</u>	<u>\$ 27,799</u>
S1100-050 Previous Year Total Net Assets	\$ 27,799	\$ 71,294
3250 Change in Total Net Assets	(4,499)	(43,495)
S1100-055 Other Changes in Total Net Assets - prior period adjustment	<u>109,575</u>	<u>-</u>
3130 Total Net Assets	<u>\$ 132,875</u>	<u>\$ 27,799</u>

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

Supporting Data Required by HUD - Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

		<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities			
S1200-010	Rental receipts	\$ 95,835	\$ 85,937
S1200-020	Interest receipts	308	81
S1200-030	Other operating receipts	<u>18,813</u>	<u>-</u>
S1200-040	Total receipts	<u>114,956</u>	<u>86,018</u>
S1200-050	Administrative	(8,551)	(3,186)
S1200-070	Management fees	(5,874)	(6,408)
S1200-090	Utilities	(16,532)	(10,091)
S1200-100	Salaries and wages	(24,667)	(36,698)
S1200-110	Operating and maintenance	(20,170)	(4,709)
S1200-140	Property insurance	(10,802)	(9,628)
S1200-150	Miscellaneous taxes and insurance	(6,094)	(8,078)
S1200-160	Tenant security deposits	<u>(2,309)</u>	<u>1,161</u>
S1200-230	Total disbursements	<u>(94,999)</u>	<u>(77,637)</u>
S1200-240	Net cash provided by (used in) operating activities	<u>19,957</u>	<u>8,381</u>
Cash Flows From Investing Activities			
S1200-250	Net deposits to the reserve for replacement account	(3,787)	(3,318)
S1200-260	Net deposits to the residual receipts account	-	(1)
S1200-330	Net purchase of fixed assets	<u>(13,202)</u>	<u>(6,187)</u>
S1200-350	Net cash provided by (used in) investing activities	<u>(16,989)</u>	<u>(9,506)</u>
S1200-470	Net Increase (Decrease) in Cash and Cash Equivalents	2,968	(1,125)
S1200-480	Beginning of Year Cash	<u>782</u>	<u>1,907</u>
S1200T	End of Year Cash	<u>\$ 3,750</u>	<u>\$ 782</u>

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

Supporting Data Required by HUD - Statements of Cash Flows (Continued)
For the Years Ended December 31, 2023 and 2022

		<u>2023</u>	<u>2022</u>
Reconciliation of change in net assets (deficit) to net cash provided			
by (used in) operating activities			
3250	Change in total net assets (deficit) from operations	\$ (4,499)	\$ (43,495)
	Adjustments to reconcile change in net assets (deficit) to net cash provided		
	by (used in) operating activities		
6600	Depreciation	26,458	26,164
S1200-490	Decrease (increase) in tenant/member accounts receivable	(683)	-
S1200-530	Decrease (increase) in cash restricted for tenant security deposits	(2,510)	997
S1200-540	Increase (decrease) in accounts payable	456	24,551
S1200-560	Increase (decrease) in accrued liabilities	534	-
S1200-580	Increase (decrease) in tenant security deposits held in trust	201	164
		<hr/>	<hr/>
S1200-610	Net cash provided by (used in) operating activities	<u>\$ 19,957</u>	<u>\$ 8,381</u>

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

**Supporting Data Required by HUD –
Other Information and Replacement Reserves December 31, 2023**

Schedule of Replacement Reserves

1320P	Balance at beginning of the year	\$ 30,486
1320DT	Total monthly deposits	3,488
1320INT	Interest on replacement reserve account	<u>299</u>
1320	Balance at end of the year	<u>\$ 34,273</u>
1320R	Deposits suspended or waived indicator	No

Schedule of Residual Receipts

1340P	Balance at beginning of the year	<u>\$ 301</u>
1340	Balance at end of the year	<u>\$ 301</u>

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

Supporting Data Required by HUD – Computation of Surplus Cash
December 31, 2023

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

Account	Description	Value
S1300-010	Cash	\$ 9,669
1135	Accounts receivable - HUD	\$ -
S1300-030	Other	\$ -
S1300-040	Total cash	\$ 9,669
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	\$ 1,490
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)	\$ 534
2210	Prepaid revenue	\$ -
2191	Tenant/patient deposits held in trust (contra)	\$ 3,834
S1300-110	Other current obligations	\$ -
S1300-140	Total current obligations	\$ 5,858
S1300-150	Surplus cash (deficiency)	\$ 3,811
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	\$ 3,811

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

**Supporting Data Required by HUD –
Fixed Assets and Accumulated Depreciation December 31, 2023**

		<u>Change in Fixed Assets</u>			
<u>Fixed Assets</u>	December 31, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2023</u>	
1410 Land	\$ 135,000	\$ -	\$ -	\$ 135,000	
1420 Buildings	1,024,031	13,202	-	1,037,233	
1450 Furniture for project/tenant use	43,047	-	-	43,047	
	<u>\$ 1,202,078</u>	<u>\$ 13,202</u>	<u>\$ -</u>	<u>\$ 1,215,280</u>	
	December 31, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2023</u>	
1495 Accum. Deprec.	\$ 503,208	\$ 26,458	\$ -	\$ 529,666	

Fixed asset additions for the year ended December 31, 2023:

Flooring	<u>\$ 13,202</u>
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Rainbow Village III, Inc.
HUD Project No. 085-HD035-NP-WDD

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.

Executive Director

October 25, 2024

Date

Board Member

October 25, 2024

Date

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

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.

October 25, 2024

Matt Elmore, Executive Director
Rainbow Village Properties
1240 Dautel Lane
St Louis, MO 63146
Phone: 314-567-1522
EIN: 43-6071313

Date

Property Manager