

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

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

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

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

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Rainbow Village II, Inc. which comprise the statements of financial position as of December 31, 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 II, 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 II, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rainbow Village II, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainbow Village II, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures 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 II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

Identification of Lead Auditor

Name: Gregory L. Nowling, CPA

Title: Shareholder

Telephone: (317) 841-3393

Firm ID Number: 35-2119569

Address: c/o Comer, Nowling And Associates, P.C.
10475 Crosspoint Boulevard, Suite 200
Indianapolis, IN 46256

UJI Number: 16070

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

Statements of Financial Position
As of December 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 6,645	\$ 2,208
Cash-entity	-	18,513
Tenant accounts receivable	633	-
Miscellaneous current assets	-	1,073
Total current assets	<u>7,278</u>	<u>21,794</u>
Deposits Held in Trust		
Tenant deposits held in trust	<u>4,736</u>	<u>4,199</u>
Restricted Deposits		
Replacement reserve	90,787	84,338
Residual receipts reserve	<u>7,962</u>	<u>7,946</u>
Total restricted deposits	<u>98,749</u>	<u>92,284</u>
Property and Equipment		
Land	105,170	105,170
Buildings	1,193,990	1,179,117
Furniture for project/tenant use	<u>78,737</u>	<u>78,737</u>
Total property and equipment	1,377,897	1,363,024
Accumulated depreciation	<u>(829,836)</u>	<u>(795,351)</u>
Net property and equipment	<u>548,061</u>	<u>567,673</u>
Total Assets	<u>\$ 658,824</u>	<u>\$ 685,950</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	\$ 6,133	\$ 380,026
Accrued management fee payable	627	-
Accrued interest payable-other loans and notes	-	1,508
Miscellaneous current liabilities	4,462	4,446
Prepaid revenue	-	1,372
	11,222	387,352
Deposit Liabilities		
Tenant deposits held in trust	4,966	4,152
	4,966	4,152
Long-Term Liabilities		
Other loans and notes payable	314,207	328,924
Debt issuance costs	(1,551)	(1,846)
	312,656	327,078
Total Liabilities	328,844	718,582
Net Assets Without Donor Restrictions	329,980	(32,632)
Total net assets	329,980	(32,632)
Total Liabilities and Net Assets (Deficit)	\$ 658,824	\$ 685,950

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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	\$ 169,356	\$ 146,122
Interest income	1,232	244
Other income	41,875	-
Total income	<u>212,463</u>	<u>146,366</u>
Expenses		
Administrative expenses	41,150	48,634
Utility expenses	25,824	23,753
Operating and maintenance expenses	62,450	79,091
Taxes and insurance	31,990	25,479
Financial expenses	16,737	18,935
Total cost of operations before depreciation	<u>178,151</u>	<u>195,892</u>
Change in net assets (deficit) without donor restrictions before depreciation	34,312	(49,526)
Depreciation expense	<u>34,485</u>	<u>33,551</u>
Change In Net Assets (Deficit) Without Donor Restrictions	(173)	(83,077)
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	(32,632)	50,445
Prior Period Adjustment	<u>362,785</u>	<u>-</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u>\$ 329,980</u>	<u>\$ (32,632)</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	\$ 167,351	\$ 147,504
Interest receipts	1,232	244
Other receipts	41,875	-
Total receipts	<u>210,458</u>	<u>147,748</u>
Administrative	(16,299)	11,522
Management fees	(6,897)	(7,524)
Utilities	(29,156)	222
Salaries and wages	(45,759)	(64,816)
Operating and maintenance	(40,721)	(12,036)
Property insurance	(19,806)	(10,289)
Miscellaneous taxes and insurance	(12,184)	(15,190)
Tenant security deposits	814	463
Mortgage interest	(17,934)	(18,742)
Total disbursements	<u>(187,942)</u>	<u>(116,390)</u>
Net cash provided by (used in) operating activities	<u>22,516</u>	<u>31,358</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	<u>(14,873)</u>	<u>(35,385)</u>
Net cash provided by (used in) investing activities	<u>(14,873)</u>	<u>(35,385)</u>
Cash Flows From Financing Activities		
Principal payments on loans or notes payable	<u>(14,717)</u>	<u>(12,835)</u>
Net cash provided by (used in) financing activities	<u>(14,717)</u>	<u>(12,835)</u>
Net Increase (Decrease) in Cash and Restricted Cash	(7,074)	(16,862)
Cash and Restricted Cash, Beginning of Year	<u>117,204</u>	<u>134,066</u>
Cash and Restricted Cash, End of Year	<u>\$ 110,130</u>	<u>\$ 117,204</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	\$ (173)	\$ (83,077)
Adjustments to reconcile change in net assets (deficit) without donor restrictions by (used in) operating activities to net cash provided		
Depreciation	34,485	33,551
Amortization of debt issuance costs	295	296
Decrease (increase) in tenant/member accounts receivable	(633)	10
Decrease (increase) in accrued receivable	1,073	(1,073)
Increase (decrease) in accounts payable	(11,108)	79,919
Increase (decrease) in accrued liabilities	643	7
Increase (decrease) in accrued interest payable	(1,508)	(110)
Increase (decrease) in tenant security deposits held in trust	814	463
Increase (decrease) in prepaid revenue	<u>(1,372)</u>	<u>1,372</u>
Net cash provided by (used in) operating activities	<u>\$ 22,516</u>	<u>\$ 31,358</u>

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Notes to Financial Statements

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

General

Rainbow Village II, Inc. (Corporation) is a Missouri Not-For-Profit Corporation organized for the purpose of providing safe, decent, and sanitary low-cost housing facilities to individuals that are intellectually and developmentally disabled. The Corporation consists of four individual group homes located in St. Louis County, Missouri. Tenants receive federal assistance as provided under Section 8 of the United States National Housing Act of 1937, as amended.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per the applicable standards, Rainbow Village II, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net asset classes follows:

Net assets without donor restrictions represent the portion of net assets of Rainbow Village II, Inc. that is not subject to donor-imposed restrictions. Net assets without donor restrictions include expendable funds available for the support of the Corporation. Board designated net assets are net assets without donor restrictions with self-imposed designations by action of the governing board.

Net assets with donor restrictions represent contributions and other inflows of assets whose use by Rainbow Village II, Inc. is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of Rainbow Village II, Inc. pursuant to those stipulations, or net assets that must be held in perpetuity.

As of December 31, 2023 and 2022, all of the net assets of the Corporation are considered to be net assets without donor restrictions.

Cash and Cash Equivalents

For the statement of cash flows, all unrestricted investments with the original maturities of three months or less are cash equivalents. As of December 31, 2023 and 2022, cash consists of an operating checking account. As of December 31, 2023 and 2022, there were no cash equivalents.

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Statement of Cash Flows – Restricted Cash

In November 2016, FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18) which amends the presentation of amounts generally described as restricted cash on the statement of cash flows. These restricted amounts are now required to be included with cash when reconciling the beginning and end of year total amounts. The amendments in ASU 2016- 18 do not provide a definition of restricted cash. However, management has determined all restricted deposits and tenant deposits held in trust are considered restricted cash, based upon restrictions of use of funds imposed by HUD.

The 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	\$ 6,645	\$ 2,208
Cash-entity	-	18,513
Tenant deposits held in trust	4,736	4,199
Replacement reserve	90,787	84,338
Residual receipts	<u>7,962</u>	<u>7,946</u>
	<u>\$ 110,130</u>	<u>\$ 117,204</u>

Tenant Security Deposits

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

Restricted Deposits and Funded Reserves

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

Property and Equipment

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

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

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Debt Issuance Costs

Debt issuance costs in the original amount of \$2,954 are being amortized over the life of the loan. Generally accepted accounting principles require that the effective yield method be used to amortize these costs; however, the effect of using the straight-line method is not material to the financial statements. Amortization of debt issuance costs included in interest expense during the years ended December 31, 2023 and 2022 was \$295 and \$296, respectively. Accumulated amortization as of December 31, 2023 was \$1,403 and \$1,108, respectively.

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

2024	\$ 295
2025	295
2026	295
2027	295
2028	295
Thereafter	76
	<u>\$ 1,551</u>

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is recognized in the financial statements. It is exempt from income taxes under the provisions of Section 501(a) of the Code.

In the event the Corporation was to lose its tax-exempt status, income tax expense for the tax reporting entity would include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 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.

Accounting for the Impairment or Disposal of Long-Lived Assets

Accounting for the Impairment or Disposal of Long-Lived Assets, requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Accounting for the Impairment of Long-Lived Assets has not materially affected the Corporation's reported earnings, financial condition or cash flows.

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Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Revenue and Cost Recognition

Revenues are recognized when earned and costs are expensed when incurred.

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 operations could be affected by changes in the economy or other conditions in the geographical area where the property is located or by changes in federal low-income housing subsidies or the demand for such housing.

Note 2 - Promissory Note Payable

On April 25, 2019, the Corporation entered into a line of credit agreement collateralized by land and seven group homes, as evidenced in a \$380,000 promissory note payable to Montgomery Bank. The note has an annual interest rate of 5.16% and matures on July 26, 2028. As of December 31, 2023 and 2022, \$314,207 and \$328,924, respectively, remained payable.

Note 3 – Management Agreement and Related Party Transactions

The Corporation entered into a management agreement with Rainbow Village Properties, a related party to the Corporation. The management agreement entered into on May 1, 2020, allows for a management fee of \$36.82 per unit per month. The management agreement entered into on May 1, 2021, allows for a management fee of \$45 per unit per month. During the years ended December 31, 2023 and 2022, \$7,524 and \$7,524, respectively, of management fees were incurred and expensed. As of December 31, 2023 and 2022, \$627 and \$-, respectively were accrued and payable.

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Note 4 – Functional Expenses

The functional expenses are as follows:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Management and general	\$ 41,150	\$ 48,634
Program services – housing	<u>171,486</u>	<u>180,809</u>
	<u>\$ 212,636</u>	<u>\$ 229,443</u>

Note 5 – Current Vulnerability Due To Certain Concentrations

The Corporation's sole asset is four individual group homes. The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 6 – Concentration of Credit Risk

The Corporation may at times maintain cash balances in financial institutions in excess of the federally insured limits of \$250,000. Corporation management monitors the financial ratings of such financial institutions and believes the risk of loss is minimal.

Note 7 – Potential Contingent Liability

One June 19, 2015, HUD issued a communication to owners of Section 202 and 811 projects with project assistance contracts requiring a residual receipts recapture. Unlike the previous recapture rules of residual receipts, this recapture requires direct payment to HUD for excess amounts in the residual receipts fund exceeding \$250 per unit. Management believes this ruling is more likely than not to be approved. Therefore, as of December 31, 2023 and 2022 a current liability of \$4,462 and \$4,446 representing excess project funds has been recorded, respectively.

Note 8 – 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

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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 9 – 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 10 – 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 \$362,785.

Supplemental HUD Information

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

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	\$ 6,645	\$ 2,208
1125	Cash-entity	-	18,513
1130	Tenant/member accounts receivable	633	-
1130N	Net tenant accounts receivable	633	-
1190	Miscellaneous current assets - prepayment	-	1,073
1100T	Total current assets	<u>7,278</u>	<u>21,794</u>
Deposits Held in Trust			
1191	Tenant/patient deposits held in trust	<u>4,736</u>	<u>4,199</u>
Restricted Deposits			
1320	Replacement reserve	90,787	84,338
1340	Residual receipts reserve	<u>7,962</u>	<u>7,946</u>
1300T	Total deposits	<u>98,749</u>	<u>92,284</u>
Property and Equipment			
1410	Land	105,170	105,170
1420	Buildings	1,193,990	1,179,117
1450	Furniture for project/tenant use	<u>78,737</u>	<u>78,737</u>
1400T	Total fixed assets	1,377,897	1,363,024
1495	Accumulated depreciation	<u>(829,836)</u>	<u>(795,351)</u>
1400N	Net fixed assets	<u>548,061</u>	<u>567,673</u>
1000T	Total Assets	<u><u>\$ 658,824</u></u>	<u><u>\$ 685,950</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	\$ 6,133	\$ 380,026
2123 Accrued management fee payable	627	-
2134 Accrued interest payable-other loans and notes	-	1,508
2190 Miscellaneous current liabilities - excess project funds	4,462	4,446
2210 Prepaid revenue	-	1,372
	<hr/>	<hr/>
2122T Total current liabilities	11,222	387,352
Deposit Liabilities		
2191 Tenant/patient deposits held in trust (contra)	4,966	4,152
	<hr/>	<hr/>
Long-Term Liabilities		
2324 Other loans and notes payable	314,207	328,924
2340 Debt issuance costs, net of accumulated amortization	(1,551)	(1,846)
	<hr/>	<hr/>
2300T Total long-term liabilities	312,656	327,078
2000T Total Liabilities	<hr/>	<hr/>
	328,844	718,582
	<hr/>	<hr/>
3131 Net Assets Without Donor Restrictions	329,980	(32,632)
	<hr/>	<hr/>
3130 Total net assets	329,980	(32,632)
	<hr/>	<hr/>
2033T Total Liabilities and Net Assets	<u>\$ 658,824</u>	<u>\$ 685,950</u>

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

		<u>2023</u>	<u>2022</u>
Project Revenue Accounts			
Rent revenue			
5120	Rent revenue - gross potential	\$ 82,985	\$ 86,373
5121	Tenant assistance payments	<u>91,633</u>	<u>81,164</u>
5100T	Total rent revenue	<u>174,618</u>	<u>167,537</u>
Vacancies			
5220	Apartments	<u>(5,262)</u>	<u>(21,415)</u>
5200T	Total vacancies	<u>(5,262)</u>	<u>(21,415)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>169,356</u>	<u>146,122</u>
Financial revenue			
5410	Financial revenue - project operations	11	18
5430	Revenue from investments - residual receipts reserve	16	7
5440	Revenue from investments - replacement reserve	<u>1,205</u>	<u>219</u>
5490	Revenue from investments-miscellaneous	<u>-</u>	<u>-</u>
5400T	Total financial revenue	<u>1,232</u>	<u>244</u>
Other revenue			
5990	Miscellaneous revenue- corrections of due to/from account	<u>41,875</u>	<u>-</u>
5900T	Total other revenue	<u>41,875</u>	<u>-</u>
5000T	Total revenue	<u>212,463</u>	<u>146,366</u>
Project Expense Accounts			
Administrative expenses			
6250	Other renting expenses	-	3,060
6310	Office salaries	21,215	24,660
6311	Office expenses	8,011	8,990
6320	Management fee	7,524	7,524
6350	Audit expense	<u>4,400</u>	<u>4,400</u>
6263T	Total administrative expenses	<u>41,150</u>	<u>48,634</u>

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

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	10,752	9,658
6451	Water	4,113	3,404
6452	Gas	6,750	6,398
6453	Sewer	4,209	4,293
		<hr/>	<hr/>
6400T	Total utilities expense	25,824	23,753
Operating and maintenance expenses			
6510	Payroll	24,544	40,156
6515	Supplies	2,576	9,751
6520	Contracts	27,734	22,640
6525	Garbage and trash removal	1,280	1,442
6530	Security payroll/contract	5,418	3,705
6546	Heating/cooling repairs and maintenance	898	280
6548	Snow removal	-	1,117
		<hr/>	<hr/>
6500T	Total operating and maintenance expenses	62,450	79,091
Taxes and insurance			
6711	Payroll taxes (project's share)	3,617	4,147
6720	Property and liability insurance (hazard)	19,806	10,289
6722	Workmen's compensation	2,314	3,994
6723	Health insurance and other employee benefits	6,253	7,049
		<hr/>	<hr/>
6700T	Total taxes and insurance	31,990	25,479
Financial expenses			
6825	Interest on other mortgages	16,721	18,928
6890	Miscellaneous financial expenses - loss due to recapture of residual receipts	16	7
		<hr/>	<hr/>
6800T	Total financial expenses	16,737	18,935
Operating Results			
6000T	Total cost of operations before depreciation	178,151	195,892
5060T	Change in net assets (deficit) without donor restrictions before depreciation	34,312	(49,526)
6600	Depreciation expense	34,485	33,551
		<hr/>	<hr/>
5060N	Operating profit or (loss)	(173)	(83,077)
Change in net assets (deficit) without donor restrictions		<hr/> <u>\$ (173)</u>	<hr/> <u>\$ (83,077)</u>
Change in net assets from operations			
3247	Change in net assets without donor restrictions	<u>\$ (173)</u>	<u>\$ (83,077)</u>
3250	Change in total net assets from operations	<u>\$ (173)</u>	<u>\$ (83,077)</u>

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

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>\$ -</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 II, Inc.
HUD Project No. 085-EH-152-NP-WDD-L8

**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	\$ (32,632)	\$ 50,445
3247 Change in Net Assets Without Donor Restrictions	(173)	(83,077)
S1100-065 Other Changes in Net Assets Without Donor Restrictions - prior period adjustment	<u>362,785</u>	<u>-</u>
3131 Net Assets Without Donor Restrictions	<u>\$ 329,980</u>	<u>\$ (32,632)</u>
S1100-050 Previous Year Total Net Assets	\$ (32,632)	\$ 50,445
3250 Change in Total Net Asset	(173)	(83,077)
S1100-055 Other Changes in Total Net Assets - prior period adjustment	<u>362,785</u>	<u>-</u>
3130 Total Net Assets	<u>\$ 329,980</u>	<u>\$ (32,632)</u>

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

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

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
S1200-010 Rental receipts	\$ 167,351	\$ 147,504
S1200-020 Interest receipts	1,232	244
S1200-030 Other operating receipts	<u>41,875</u>	<u>-</u>
S1200-040 Total receipts	<u>210,458</u>	<u>147,748</u>
S1200-050 Administrative	(16,299)	11,522
S1200-070 Management fees	(6,897)	(7,524)
S1200-090 Utilities	(29,156)	222
S1200-100 Salaries and wages	(45,759)	(64,816)
S1200-110 Operating and maintenance	(40,721)	(12,036)
S1200-140 Property insurance	(19,806)	(10,289)
S1200-150 Miscellaneous taxes and insurance	(12,184)	(15,190)
S1200-160 Tenant security deposits	277	846
S1200-180 Mortgage interest	<u>(17,934)</u>	<u>(18,742)</u>
S1200-230 Total disbursements	<u>(188,479)</u>	<u>(116,007)</u>
S1200-240 Net cash provided by (used in) operating activities	<u>21,979</u>	<u>31,741</u>
Cash Flows From Investing Activities		
S1200-250 Net deposits to the reserve for replacement account	(6,449)	(5,267)
S1200-260 Net deposits to the residual receipts account	(16)	(7)
S1200-330 Net purchase of fixed assets	<u>(14,873)</u>	<u>(35,385)</u>
S1200-350 Net cash provided by (used in) investing activities	<u>(21,338)</u>	<u>(40,659)</u>
Cash Flows From Financing Activities		
S1200-370 Principal payments on loans or notes payable	<u>(14,717)</u>	<u>(12,835)</u>
S1200-460 Net cash provided by (used in) financing activities	<u>(14,717)</u>	<u>(12,835)</u>
S1200-470 Net Increase (Decrease) in Cash and Cash Equivalents	(14,076)	(21,753)
S1200-480 Beginning of Year Cash	<u>20,721</u>	<u>42,474</u>
S1200T End of Year Cash	<u>\$ 6,645</u>	<u>\$ 20,721</u>

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

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) without donor restrictions to net cash provided by (used in) operating activities		
3250 Change in total net assets (deficit) without donor restrictions from operations	\$ (173)	\$ (83,077)
Adjustments to reconcile change in net assets (deficit) without donor restrictions to net cash provided by (used in) operating activities		
6600 Depreciation	34,485	33,551
S1200-486 Amortization fo debt issuance costs	295	296
S1200-490 Decrease (increase) in tenant/member accounts receivable	(633)	10
S1200-510 Decrease (increase) in accrued receivable	1,073	(1,073)
S1200-530 Decrease (increase) in cash restricted for tenant security deposits	(537)	383
S1200-540 Increase (decrease) in accounts payable	(11,108)	79,919
S1200-560 Increase (decrease) in accrued liabilities	643	7
S1200-570 Increase (decrease) in accrued interest payable	(1,508)	(110)
S1200-580 Increase (decrease) in tenant security deposits held in trust	814	463
S1200-590 Increase (decrease) in prepaid revenue	<u>(1,372)</u>	<u>1,372</u>
S1200-610 Net cash provided by (used in) operating activities	<u>\$ 21,979</u>	<u>\$ 31,741</u>

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, 2023**

1320P	Balance at beginning of the year	\$ 84,338
1320ODT	Other deposits - self funded	5,244
1320INT	Interest on replacement reserve account	<u>1,205</u>
1320	Balance at end of the year	<u>\$ 90,787</u>
1320R	Deposits suspended or waived indicator	Yes

Schedule of Residual Receipts

1340P	Balance at beginning of the year	\$ 7,946
1340INT	Interest on residual receipts account	<u>16</u>
1340	Balance at end of the year	<u>\$ 7,962</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, 2023

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

Account	Description	Value
S1300-010	Cash	\$ 11,381
1135	Accounts receivable - HUD	\$ -
S1300-030	Other - entity cash	\$ -
S1300-040	Total cash	\$ 11,381
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	\$ 6,133
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)	\$ 627
2210	Prepaid revenue	\$ -
2191	Tenant/patient deposits held in trust (contra)	\$ 4,966
S1300-110	Other current obligations	\$ -
S1300-140	Total current obligations	\$ 11,726
S1300-150	Surplus cash (deficiency)	\$ (345)
S1300-160	Annual distribution earned during fiscal period covered by this statement	\$ -
S1300-170	Distribution accrued and unpaid as of the end of the prior fiscal period	\$ -
S1300-180	Distributions and entity expenses paid during fiscal period covered by this statement	\$ -
S1300-190	Distribution earned but unpaid	\$ -
S1300-200	Amount available for distribution during next fiscal period	\$ -
S1300-203	Incentive performance fee payable	\$ -
S1300-204	Percentage surplus cash split	\$ -
S1300-205	Surplus cash available for second mortgage payments	\$ -
S1300-206	Surplus cash available for distribution	\$ -
S1300-210	Deposit due residual receipts	\$ -

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

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

Change in Fixed Assets

<u>Fixed Assets</u>	December 31, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2023</u>
1410 Land	\$ 105,170	\$ -	\$ -	\$ 105,170
1420 Buildings	1,179,117	14,873	-	1,193,990
1450 Furniture for project/tenant use	78,737	-	-	78,737
	<u>\$ 1,363,024</u>	<u>\$ 14,873</u>	<u>\$ -</u>	<u>\$ 1,377,897</u>

	December 31, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	December 31, <u>2023</u>
1495 Accum. Deprec.	<u>\$ 795,351</u>	<u>\$ 34,485</u>	<u>\$ -</u>	<u>\$ 829,836</u>

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

Flooring	\$ 11,797
Parking lot upgrade	<u>3,076</u>
	<u>\$ 14,873</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

October 25, 2024

Date

Board Member

October 25, 2024

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.

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