

**RAINBOW HOUSE, INC.**

**Annual Financial Statements**

(With Independent Auditor's Report thereon)

*FOR THE YEAR ENDED  
DECEMBER 31, 2015*

# RAINBOW HOUSE, INC.

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# **INDEPENDENT AUDITOR'S REPORT**



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*When you see the B, remember me!*<sup>sm</sup>  
(770) 885-3105

## Independent Auditor's Report

To the Board of Directors  
RAINBOW HOUSE, INC.  
Jonesboro, Georgia

### Engagement Scope

I have audited the accompanying financial statements of RAINBOW HOUSE, INC. (the "Organization"), a non-profit organization, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (the "Financial Statements").

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



### Opinion

In my opinion, the Financial Statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### **Other Reporting Required by *Government Auditing Standards*:**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2016 on my consideration of internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control over financial reporting and compliance.

*Thomas Bailey, CPA*

Thomas Bailey, CPA

November 10, 2016

## **BASIC FINANCIAL STATEMENTS**

## RAINBOW HOUSE, INC.

### Statement of Financial Position December 31, 2015

|   |        | Unrestricted      | Temporarily<br>Restricted | Totals            | % of<br>Totals |
|---|--------|-------------------|---------------------------|-------------------|----------------|
| <b>ASSETS</b>                           |        |                   |                           |                   |                |
| CURRENT ASSETS:                         |        |                   |                           |                   |                |
| Cash                                    | Note 3 | \$ 152,988        | \$ 10,500                 | \$ 163,488        |                |
| Grants Receivable                       | Note 4 | 6,208             | 117,672                   | 123,880           |                |
| Other Receivables                       |        | 122               | -                         | 122               |                |
| <b>TOTAL CURRENT ASSETS</b>             |        | <b>159,318</b>    | <b>128,172</b>            | <b>287,490</b>    | <b>35%</b>     |
| Capital Assets (net)                    | Note 5 | 536,587           | -                         | 536,587           | 65%            |
| OTHER ASSETS:                           |        |                   |                           |                   |                |
| Prepaid Expenses                        |        | 446               | -                         | 446               |                |
| Donated Securities                      |        | 820               | -                         | 820               |                |
| <b>TOTAL OTHER ASSETS</b>               |        | <b>1,266</b>      | <b>-</b>                  | <b>1,266</b>      | <b>-</b>       |
| <b>TOTAL ASSETS</b>                     |        | <b>\$ 697,171</b> | <b>\$ 128,172</b>         | <b>\$ 825,343</b> | <b>100%</b>    |
| <b>LIABILITIES AND NET ASSETS</b>       |        |                   |                           |                   |                |
| CURRENT LIABILITIES:                    |        |                   |                           |                   |                |
| Accounts Payable                        |        | \$ 9,664          | \$ -                      | \$ 9,664          |                |
| Deferred Revenue                        | Note 4 | -                 | 20,520                    | 20,520            |                |
| Accrued Expenses                        |        | 5,958             | -                         | 5,958             |                |
| <b>TOTAL CURRENT LIABILITIES</b>        |        | <b>15,622</b>     | <b>20,520</b>             | <b>36,142</b>     | <b>4%</b>      |
| <b>TOTAL LIABILITIES</b>                |        | <b>15,622</b>     | <b>20,520</b>             | <b>36,142</b>     |                |
| NET ASSETS:                             |        |                   |                           |                   |                |
| Unrestricted                            |        | 681,549           | -                         | 681,549           |                |
| Temporarily Restricted                  |        | -                 | 107,652                   | 107,652           |                |
| <b>TOTAL NET ASSETS</b>                 |        | <b>681,549</b>    | <b>107,652</b>            | <b>789,201</b>    | <b>96%</b>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> |        | <b>\$ 697,171</b> | <b>\$ 128,172</b>         | <b>\$ 825,343</b> | <b>100%</b>    |

The accompanying notes are an integral part of this statement

# RAINBOW HOUSE, INC.

## Statement of Activities For the Year Ended December 31, 2015

|   | Unrestricted          | Temporarily<br>Restricted | Totals                | % of<br>Totals  |
|---|-----------------------|---------------------------|-----------------------|-----------------|
| <b>CHANGE IN NET ASSETS</b>                             |                       |                           |                       |                 |
| <b>SUPPORT:</b>   |                       |                           |                       |                 |
| Federal Funds:  |                       |                           |                       |                 |
| <i>DOJ/Criminal Justice Coordinating Council (CJCC)</i> | \$ -                  | \$ 121,415                | \$ <b>121,415</b>     | <b>11%</b>      |
| <i>DOJ/Southern Regional Children's Advocacy Center</i> | -                     | 18,046                    | <b>18,046</b>         | <b>2%</b>       |
| <i>EFSP/United Way</i>                                  | -                     | 15,000                    | <b>15,000</b>         | <b>1%</b>       |
| <i>HUD/Clayton County</i>                               | -                     | 9,931                     | <b>9,931</b>          | <b>1%</b>       |
| State and County Funds:                                 |                       |                           |                       |                 |
| <i>Georgia Division of Family and Children Services</i> | 614,811               | -                         | <b>614,811</b>        | <b>57%</b>      |
| <i>Clayton County</i>                                   | 177,755               | -                         | <b>177,755</b>        | <b>17%</b>      |
| Public Contributions                                    | 31,931                | 53,735                    | <b>85,666</b>         | <b>8%</b>       |
| <br>TOTAL SUPPORT                                       | <br>824,497           | <br>218,127               | <br><b>1,042,624</b>  | <br><b>97%</b>  |
| <br><b>REVENUES:</b>                                    |                       |                           |                       |                 |
| CCPS Fees-for-services                                  | 27,128                | -                         | <b>27,128</b>         | <b>3%</b>       |
| Special Event Fundraising                               | 1,892                 | -                         | <b>1,892</b>          | -               |
| Interest Income   | 183                   | -                         | <b>183</b>            | -               |
| Net Assets released from restrictions                   | 110,475               | (110,475)                 | -                     | -               |
| <br>TOTAL REVENUES                                      | <br>139,678           | <br>(110,475)             | <br><b>29,203</b>     | <br><b>3%</b>   |
| <br><b>TOTAL SUPPORT AND REVENUES</b>                   | <br><b>964,175</b>    | <br><b>107,652</b>        | <br><b>1,071,827</b>  | <br><b>100%</b> |
| <br><b>EXPENSES:</b>                                    |                       |                           |                       |                 |
| Program Activities                                      | 605,406               | -                         | <b>605,406</b>        | <b>60%</b>      |
| Support Activities                                      | 403,641               | -                         | <b>403,641</b>        | <b>40%</b>      |
| <br>TOTAL EXPENSES                                      | <br><b>1,009,047</b>  | <br>-                     | <br><b>1,009,047</b>  | <br><b>100%</b> |
| <br><b>CHANGE IN NET ASSETS</b>                         | <br><b>(44,872)</b>   | <br><b>107,652</b>        | <br><b>62,780</b>     |                 |
| Net Assets, Beginning of the Year                       | 726,421               | -                         | <b>726,421</b>        |                 |
| <br><b>NET ASSETS, END OF THE YEAR</b>                  | <br><b>\$ 681,549</b> | <br><b>\$ 107,652</b>     | <br><b>\$ 789,201</b> |                 |

The accompanying notes are an integral part of this statement



**RAINBOW HOUSE , INC.**

Statement of Functional Expenses  
For the Year ended December 31, **2015**

|   | Programs          | Administrative<br>Costs | Fundraising<br>Expenses | Total<br>Expenses   |
|---|-------------------|-------------------------|-------------------------|---------------------|
| <b>Labor Cost and Benefits:</b>                                 |                   |                         |                         |                     |
| Salaries  | \$ 342,579        | \$ 171,290              | \$ 57,097               | \$ 570,966          |
| Employee Benefits   | 79,136            | 39,569                  | 13,189                  | 131,894             |
| <b>Total Labor Cost and Benefits</b>                            | <b>421,715</b>    | <b>210,859</b>          | <b>70,286</b>           | <b>702,860</b>      |
| Occupancy   | 39,568            | 19,784                  | 6,595                   | 65,947              |
| Assistance to Others  | 54,710            | -                       | -                       | 54,710              |
| Professional Fees <sup>(1)</sup>                                | 11,573            | 36,413                  | -                       | 47,986              |
| Supplies and Small Equipment <sup>(2)</sup>                     | 19,934            | 11,821                  | 1,468                   | 33,223              |
| Depreciation ( <b>Note 5</b> )                                  | 19,719            | 9,860                   | 3,287                   | 32,866              |
| Travel  | 11,262            | 5,631                   | 1,877                   | 18,770              |
| Forensic Interview Equipment                                    | 18,046            | -                       | -                       | 18,046              |
| Insurance Expense   | 8,376             | 4,188                   | 1,396                   | 13,960              |
| Office Expense  | 7,493             | 3,747                   | 1,249                   | 12,489              |
| Employee Training   | 4,852             | 2,426                   | 809                     | 8,087               |
| Computer Services   | 2,811             | 2,939                   | 639                     | 6,389               |
| Payroll Service Fees  | -                 | 5,962                   | -                       | 5,962               |
| Dues and Subscriptions  | 1,356             | 678                     | 226                     | 2,260               |
| Equipment Lease   | 1,079             | 540                     | 180                     | 1,799               |
| Advertising and Promotion                                       | 958               | 479                     | 160                     | 1,597               |
| Entertainment   | -                 | -                       | 100                     | 100                 |
| Bank Charges  | -                 | 42                      | -                       | 42                  |
| Grant Expenses  | 623,452           | 315,369                 | 88,272                  | 1,027,093           |
| Item Reconciling Grant Expenses<br>to the Financial Statements: |                   |                         |                         |                     |
| Capitalized Forensic Equipment                                  | (18,046)          | -                       | -                       | (18,046)            |
| <b>TOTAL ACTIVITIES</b>   | <b>\$ 605,406</b> | <b>\$ 315,369</b>       | <b>\$ 88,272</b>        | <b>\$ 1,009,047</b> |
| <b>% of TOTAL ACTIVITIES</b>                                    | <b>60%</b>        | <b>31%</b>              | <b>9%</b>               | <b>100%</b>         |

(1) Includes building maintenance services totaling **\$19,288**.

(2) Includes small furnishings totaling **\$16,064** on items < \$2,500 each

The accompanying notes are an integral part of this statement

**RAINBOW HOUSE, INC.**

Statement of Cash Flows  
For the Year Ended December 31, **2015**

|  |                   |
|--|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                   |
| Change in Net Assets   | \$ 62,780         |
| Adjustments to reconcile Change in Net Assets<br>to net cash provided by operating activities: |                   |
| Depreciation   | 32,866            |
| Donated Securities   | (820)             |
| <br>   |                   |
| Decrease (Increase) in:  |                   |
| Grants Receivable  | 42,094            |
| Other Receivables  | 2,797             |
| Prepaid Expenses   | (446)             |
| <br>   |                   |
| (Decrease) Increase in:  |                   |
| Accounts Payable   | (13,019)          |
| Deferred Revenue   | (100,938)         |
| Accrued Expenses   | (560)             |
|  | <hr/>             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>24,754</b>     |
|  | <hr/>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                   |
| Purchase of Forensic Interview Equipment   | (18,046)          |
|  | <hr/>             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>(18,046)</b>   |
|  | <hr/>             |
| Net Increase in Cash   | 6,708             |
| <br>   |                   |
| Cash at Beginning of the Year  | 156,779           |
|  | <hr/>             |
| <b>CASH AT END OF THE YEAR</b>   | <b>\$ 163,487</b> |
|  | <hr/>             |

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**Supplemental Disclosures:**

*Accounting Policy* - All highly liquid investments with a maturity of three months or less at the date of acquisition are considered to be cash equivalents. There were no such investments held at December 31, **2015** to present as cash equivalents.

*Income Taxes* - The **Organization** is exempt from income taxes under section 501(c)(3) of the Internal Revenue Service Code (the "Code") and accordingly, no income tax payments were made. Additional income tax information is in the *Income Tax Status* section of **Note 2**.

The accompanying notes are an integral part of this statement

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 1. NATURE OF THE ORGANIZATION

*Organization and its Mission:*

#### **History**

In 1988, a group of concerned community leaders realized a need for a community organization to provide a temporary shelter to care for abused, neglected and abandoned children referred by the Department of Family and Children Services (DFCS), the Department of Juvenile Justice (DJJ) and the Immigration and Naturalization Service (INS)...Rainbow House was born.

Rainbow House, Inc. (the “**Organization**”) was created as a community organization to serve the needs and interests of children and their families. The **Organization** operates an emergency shelter for children (the “Shelter”). The **Organization** was organized as a Georgia Non-Profit Corporation in 1988 under the Georgia Non-Profit Corporation Code. The **Organization** is a Public Charity as defined in Section 509(a)(1) of the Internal Revenue Service Code (the “Code”) and is governed by a Board of Trustees consisting of not less than ten (10) nor more than twenty-six (26) members. Contributions to the **Organization** are deductible under section 170 of the Code. See **Note 2**, “*Income Tax Status*” for additional income tax information.

As the need for such an agency grew, the Shelter added a teen wing, administrative offices, a family visitation room and a conference room. The program is licensed by the Office of Residential Child Care to accommodate 20 children and adolescents, including two (2) infants. The **Organization** is located in Jonesboro, Georgia.

Over the years, referrals have come from a wide range of counties in the Southern Crescent (Clayton, Fayette, Spalding), in counties all over metro Atlanta (including Gwinnett, Douglas, Newton, Rockdale), and the outlying counties (Lamar, Butts, Upson) as well.

In 2001, the Rainbow Connection Child Advocacy and Assessment Center (CAAC) was created as a second program component. Rainbow Connection CAAC follows the state and national guidelines for child advocacy centers and was chartered to assist and facilitate DFCS and law enforcement with the investigation and prosecution of alleged child abusers as well as to provide an array of comprehensive services (medical, therapeutic, assessment) to victims of severe physical abuse, sexual abuse, and witness to homicide and their non-offending caregivers.

In April 2001, a Safe Place program was developed. The Safe Place program is a national youth outreach program that educates thousands of young people every year about the dangers of running away or of trying to resolve difficult, threatening situations on their own.

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 1. NATURE OF THE ORGANIZATION (continued)

#### Mission

To provide comprehensive services that restore, heal and rebuild the lives of children and their families.

The **Organization** serves children from birth through age seventeen (17). While the primary source of referrals comes from Clayton County DFCS, DJJ and/or law enforcement, Rainbow House, Inc. accepts referrals from all of Georgia. The **Organization** accomplishes its mission through several programs.

*Services/Programs include:*

- **Emergency Shelter for Children (the “Shelter”)**; a temporary shelter for abused, neglected and abandoned children referred by the Department of Family and Children Services (DFCS) and the Department of Juvenile Justice (DJJ).
- **Rainbow Connection Child Advocacy and Assessment Center (Advocacy Center)**; which is designed to reduce the trauma experienced by child victims of abuse and their non-offending family members by providing a central, child friendly environment in which they can receive all the services needed and by facilitating a comprehensive multi-disciplinary team approach to the investigation and prosecution of allegations of child abuse.
- **Safe Place**; a network of sites that include Quik Trips, fire stations and local libraries set up to provide immediate help, supportive resources, and temporary shelter to teenagers ages, thirteen (13) to seventeen (17), in crisis situations. The teens are able to stay at the shelter for up to fourteen (14) days while receiving counseling and therapy with their family/caregivers that will assist in transitioning them back into their home, if possible. If it’s not possible to return the teen back into their home, DFCS will assist in finding a more permanent safe and stable environment.
- **Outreach and Education Services**; to raise the awareness of the prevalence and consequences of child sexual abuse by educating adults about the steps they can take to prevent, recognize and react responsibly to the reality of child sexual abuse.

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 1. NATURE OF THE ORGANIZATION (continued)

#### **The Year in Review:**

#### *Significant Accomplishments:*

In **2015**, Rainbow House, Inc. (Rainbow House) was offered the opportunity to partner with Clayton County Public Schools to pilot a program for Child Abuse and Sexual Exploitation (CASE) in Clayton County. The challenge for Rainbow House was establishing a new program without increasing salary cost of the agency.

All job descriptions were evaluated and updated. The Shelter Manager's position was eliminated and re-combined into the Executive Director's job description. The Clinical Director's position was reduced to part-time.

Also in **2015**, Rainbow House held the 1<sup>st</sup> Annual Poker Run fundraiser and a Benefit Concert at Shiloh Baptist Church in Jonesboro, GA. to help increase funding. Rainbow House was featured on Channel 2, Channel 11, Channel 46, and Rainbow House was featured in the Eagle's Landing Magazine to promote the various programs at Rainbow House. This publicity helped bring in contributions from new donors. Rainbow House extended after- hour services to Clayton County DFCS employees, which included an emergency room and office space for Clayton County DFCS employees to work during the overnight hours, when the building and offices are closed for the evening. The partnership between Rainbow House and Clayton County DFCS has grown tremendously this year.

Finally, three Rainbow House residents who entered care with GPA's between 0.9-1.6 successfully transitioned into Independent Living Programs and graduated from high school in **2015**. This accomplishment showed that the resources, time, attention, and support provided by staff and the community can make a difference in a child's life.

#### **Shelter:**

In **2015**, Rainbow House increased the number of residents from 16 to 20. This change required additional staff for supervision. As a result of this increase, changes had to be made to the scheduling of the Direct Care Staff. Instead of hiring additional full-time staff, existing Direct Care staff was placed on 12-hour shifts, which eliminated the need to hire additional full-time staff. This change also reduced the number of call-outs and "burn out" rate amongst the Direct Care staff because the change allows for more off-days within a 30-day period.

#### **Advocacy Center:**

In **2015**, Rainbow House, Inc. partnered with Children's Healthcare of Atlanta and re-opened the Forensic Medical Department for the Child Advocacy Center. This will allow Clayton County Police Department and surrounding police departments to have access to forensic medical exams and forensic interviews in one location, making the process convenient and less traumatic for the victims and the family members.

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 1. NATURE OF THE ORGANIZATION (continued)

#### **The Year in Review:**

#### *Significant Accomplishments:*

#### **C.A.S.E (Child Abuse and Sexual Exploitation of Children):**

In 2015, the C.A.S.E. Program, a Commercial Sexually Exploited Program, was established. The program focuses on at-risk girls and girls who have been sexually exploited. The program was created to help at-risk girls identify recruitment tactics for being sexually exploited. The program was also designed to help sexually exploited girls develop coping skills, while providing each girl with support to restore and rebuild her life after being sexually exploited. Through this program, Rainbow House hopes to increase self-reliance, self-esteem, and to build healthy relationships by providing therapy, mentorship, and participation of the “My Life My Choice” 10-week program.

#### *Financial Highlights:*

|   |
|---|
| Total Support increased approx. \$252,000 (32%) from the previous year, primarily due to increases in funding from Georgia DFACS and CJCC, which increased by about \$150,000 and \$95,000, respectively, over the previous year. |
|   |

|   |
|---|
| Georgia DFACS funding increased because the number of Shelter residents served increased to 20 in 2015 compared to 16 in 2014. The CJCC funding was increased to cover the additional personnel costs needed to expand the ADVOCACY CENTER. |
|   |

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting:**

The Financial Statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, expenses are recognized when a liability has been incurred, regardless of the timing of the related cash flows. Accordingly, all significant receivables, payables and other liabilities are reflected in these Financial Statements.

#### **Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. The most significant estimates made by management in these Financial Statements are the deferred revenues (**Note 4**), the depreciable life remaining on capital assets (**Note 5**) and the expense allocations made, as summarized on the **next page**.

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Use of Estimates:**

##### *Functional Expense Allocations Made:*

**30%** of all expenses were allocated to Administrative Costs and approximately **10%** to fundraising. The remaining **60%** are considered program costs. Event expenses that could be specifically identified are charged directly to fundraising activities.

*Effect of using estimates* - Actual results could differ from these estimates.

#### **Basis of Presentation:**

These Financial Statements are presented in accordance with the recommendations of the Financial Accounting Standards Board as codified at *FASB ASC 958-210-45-9*. Under these standards, the **Organization** is required to report information regarding its financial position and activities by three classes of net assets based on the existence or absence of donor-imposed restrictions. The purpose of this type of presentation is to ensure observance of limitations and restrictions on the use of financial resources.

Accordingly, the Net Assets of the **Organization** and changes therein are defined, classified and reported as follows:

*Unrestricted Net Assets* – defined as net assets that **are not** subject to grantor or donor-imposed restrictions.

*Temporarily Restricted Net Assets* – defined as net assets that **are** subject to grantor or donor-imposed stipulations that may or will be met, either by actions of the **Organization** (such as the incurrence of certain qualifying expenses) and/or the passage of time. When a restriction expires, Temporarily Restricted Net Assets are reclassified to Unrestricted Net Assets and reported in the Statement of Activities as Net Assets released from restrictions.

*Permanently Restricted Net Assets* – defined as net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by the **Organization**. Generally, the donors of these assets permit an organization to use all or part of the income earned on any related investments for general or specific purposes. The **Organization** does not have any Permanently Restricted Net Assets.

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Compensated Absences:**

The **Organization** follows the policy of recognizing the costs for compensated absences when they are paid rather than when the right to receive compensation for future absences is earned. Under generally accepted accounting principles, these costs would have been recognized in the period the right to receive compensation was earned. The effect of the **Organization's** departure is not material to these Financial Statements.

#### **Income Tax Status:**

*Exempt Function Activities* - The **Organization** is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code (the "Code") because it is classified as a public charity.

Donations made to the **Organization** qualify for the charitable contribution deduction under Section 170 of the Code.

As a result of its exemption from federal and state income taxes, no provision for income taxes has been recorded in these Financial Statements. The **Organization** did not engage in any unrelated business or lobbying activities for the year ended December 31, **2015**.

*FASB ASC 740-10-50-15 Disclosure (commonly referred to as FIN-48 Disclosure)* - The **Organization** is required to record a liability for uncertain tax positions when it is probable that a tax position would not be upheld under examination by the Internal Revenue Service and the amount can be reasonably estimated.

Tax positions taken related to the tax exempt status and unrelated business activities, if any, have been reviewed, and management believes that material positions taken would, more likely than not, be sustained upon examination. Therefore, an income tax liability for uncertain tax benefits has not been recorded as of December 31, **2015**, and management does not anticipate a material change in its uncertain tax benefits for the 12 months following December 31, **2015**. For federal tax purposes, tax periods from January 1, 2013 through December 31, **2015** are open to tax examination by tax authorities and may change upon examination.



# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 3. CASH AND RISK

#### **Cash balances:**

The composition of **Organization's** Cash is as follows:

|                               | <u>Balance</u>          |
|-------------------------------|-------------------------|
| Non-interest bearing Accounts | \$ 99,751               |
| Interest bearing Accounts     | 63,487                  |
| Petty Cash Fund               | <u>250</u>              |
| <b>Cash Balances</b>          | <b><u>\$163,488</u></b> |

Temporarily Restricted Cash represents the **\$7,500** received in November 2015 from the Children's Advocacy Centers of Georgia and the **\$3,000** received in December 2015 from Speedway Children's Charities; both benefit the 2016 program year.

#### **Custodial Risk:**

The risk, that in the event of a bank failure, the **Organization's** deposits over the Federal Deposit Insurance Corporation (FDIC) limit concentrated in one bank may not be returned. As of December 31, **2015**, all funds held in the bank accounts were fully insured by FDIC coverage.

### 4. SUPPORT AND GRANTS RECEIVABLE

Eighty-nine (89) percent of the **Organization's** support came from government grant funds this year. In accordance with the recommendations of the Financial Accounting Standards Board as codified at *FASB ASC 958-605-55-4*, these grants are classified as Support because the grantor received no value in return.

#### **Policy:**

In accordance with the recommendations of the Financial Accounting Standards Board as codified at *FASB ASC 958-605-25-2*, grants are recognized as income in the period covered by the grants.

Grants that do not have grantor-imposed restrictions as to purpose or time are classified as Unrestricted Support.

When grants are restricted for specific program purpose or time, the related revenue is initially recognized as Temporarily Restricted Support, released and reclassified as Unrestricted Support when the related restrictions are satisfied by the payment of certain qualifying expenses funded by the grantor. This reclassification is reported on the Statement of Activities as Net Assets released from restrictions.

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 4. SUPPORT AND GRANTS RECEIVABLE (continued)

When a grant has a grantor-imposed *condition* (Conditional Grant) such as to incur certain expenses in a future year or to obtain matching funds, the grant is not recognized as revenue in accordance with the recommendations of the Financial Accounting Standards Board as codified at *FASB ASC 958-605-55-21* until the conditions are met, at which time the grant is recognized and classified in the Statement of Activities as Unrestricted or Temporarily Restricted Support, as applicable. The **Organization** did not have any unfulfilled grant conditions at December 31, **2015**.

The **Organization** has the responsibility for expending grant funds in accordance with the terms of its contracts and to comply with all applicable federal and state laws, rules, regulations and standards. Any deficits resulting from over expenditure and/or questioned costs are the responsibility of the **Organization**.

#### Grants Receivable:

| <u>Grantor:</u> | <u>Balance Due</u>       |                                |
|-----------------|--------------------------|--------------------------------|
| DFACS           | \$ 57,164                | *Clayton County Public Schools |
| CJCC            | 36,993                   |                                |
| United Way      | 16,700                   |                                |
| CACGA           | 6,215                    |                                |
| CCPS*           | 6,208                    |                                |
| Clayton County  | <u>600</u>               |                                |
| <b>Total</b>    | <b>\$ <u>123,880</u></b> |                                |

All balances due were realized in their entirety by March 31, 2016. Accordingly, management does not need to record an allowance for doubtful accounts.

#### Deferred Revenue:

The deferred revenue represents cash or other assets accumulated by the **Organization** that benefits the 2016 program year based on the funding period covered by the award, as described below.

| <u>Grantor:</u>               | <u>Amount Received</u>  | <u>Funding Period</u> | <u>Deferral</u>         |
|-------------------------------|-------------------------|-----------------------|-------------------------|
| United Way                    | \$ 16,700               | 8/28/15-6/30/16       | \$ 10,020               |
| Children's Advocacy Centers   | 9,000                   | 11/1/15-10/31/16      | 7,500                   |
| Speedway Children's Charities | <u>3,000</u>            | 1/1/16-12/31/16       | <u>3,000</u>            |
| <b>Total</b>                  | <b>\$ <u>28,700</u></b> |                       | <b>\$ <u>20,520</u></b> |

## RAINBOW HOUSE, INC.

### Notes to the financial statements

#### 5. CAPITAL ASSETS

**Policy:**

Acquisitions of Capital Assets (property and equipment) in excess of \$2,500 per item are capitalized. Purchased property and equipment is recorded at cost. The **Organization** does not receive significant amounts of property or equipment through donations.

The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

Depreciation of property and equipment is computed on the straight-line basis over the estimated useful lives of the respective assets. Depreciation begins on the date the asset is placed in service.

The initial useful lives of property and equipment are as follows:

|                        |          |                         |         |
|------------------------|----------|-------------------------|---------|
| Buildings              | 39 years | Vehicles                | 5 years |
| Leasehold Improvements | 5 years  | Furniture and Equipment | 5 years |

**Capital Asset Balances:**

|                         | <i>Property and Equipment</i> |                             |                          | Depreciable<br>Life<br>Remaining |
|-------------------------|-------------------------------|-----------------------------|--------------------------|----------------------------------|
|                         | Cost                          | Accumulated<br>Depreciation | Net<br>Carrying<br>Value |                                  |
| Buildings               | \$ 897,433                    | \$ (402,216)                | \$ <b>495,217</b>        | 19.5 years                       |
| Vehicles                | 121,329                       | (101,879)                   | <b>19,450</b>            | 4.5 years                        |
| Machinery and Equipment | 95,823                        | ( 73,903)                   | <b>21,920</b>            | 4.5 years                        |
| Furniture and Fixtures  | 61,469                        | ( 61,469)                   | ---                      | **                               |
| Other Equipment         | 26,862                        | ( 26,862)                   | ---                      | **                               |
| Building Improvements   | 6,451                         | ( 6,451)                    | ---                      | **                               |
| <b>Totals</b>           | <b>\$ 1,209,367</b>           | <b>\$( 672,780)</b>         | <b>\$ 536,587</b>        |                                  |

\*\* Fully depreciated as of December 31, 2015.

|                                 |                         |
|---------------------------------|-------------------------|
|                                 | <b><u>Amount</u></b>    |
| <i>Depreciation Allocation:</i> |                         |
| Total Depreciation              | <b><u>\$ 32,866</u></b> |

Amount Allocated to:

|                           |                         |
|---------------------------|-------------------------|
| Program Activities        | <b><u>\$ 19,719</u></b> |
| Administrative Activities | <b><u>\$ 9,860</u></b>  |
| Fundraising Activities    | <b><u>\$ 3,287</u></b>  |

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 6. FAIR VALUES OF FINANCIAL INSTRUMENTS

As established by *FASB ASC 820*, Fair Value Measurements, measuring fair value and rating the inputs used in the valuation techniques, is summarized as follows:

*Fair Value*; the price in an orderly (principal, or in the alternative, the most advantageous) market at the measurement date.

*The rating scale*;

Level 1 (the highest) – the valuation is obtained from quoted market prices in an active market for identical assets.

Level 2 – the valuation is obtained, either directly or indirectly, from market prices in a limited market.

Level 3 (the lowest) – the valuation is obtained from non-market sources based on the best information available in the circumstances, including the **Organization's** own internally-generated data.

*FASB ASC 820* did not have a material effect on these Financial Statements because the securities held at December 31, **2015** are negligible.

The carrying values of the remaining financial instruments recognized in these Financial Statements (receivables, prepaid expenses, accounts payable, accrued expenses and deferred revenue) approximate their fair values since they turnover rapidly or are liquid by nature and therefore, recorded at the most recent market value.

### 7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2016, the date these Financial Statements are available to be issued. No events were noted that would require adjustment to or disclosure in these Financial Statements.



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*When you see the B, remember me!*<sup>sm</sup>

(770) 885-3105

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With *Government  
Auditing Standards***

To the Board of Directors  
RAINBOW HOUSE, INC.  
Jonesboro, Georgia

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of RAINBOW HOUSE, INC. (the "Organization"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (the "Financial Statements"), and have issued my report thereon dated November 10, 2016.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the Financial Statements, I considered the organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the Financial Statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a *deficiency*, or *combination of deficiencies*, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's Financial Statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the organization's Financial Statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Thomas Bailey, CPA*

Thomas Bailey, CPA  
November 10, 2016