

**RAINBOW HOUSE, INC.**

**Annual Financial Statements**

(With Independent Auditor's Report thereon)

*FOR THE YEAR ENDED  
DECEMBER 31, 2014*

# RAINBOW HOUSE, INC.

## Table of Contents

	<u>Page</u>
Independent Auditor's Report	1- 2
<b>Basic Financial Statements:</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16

# **INDEPENDENT AUDITOR'S REPORT**



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

## 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, 2014, 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. 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, 2014, 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.

*Thomas Bailey, CPA*

Thomas Bailey, CPA

November 30, 2015

## **BASIC FINANCIAL STATEMENTS**

## RAINBOW HOUSE, INC.

### Statement of Financial Position December 31, 2014

	Unrestricted	Temporarily Restricted	Totals	% of Totals
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash (Note 3)	\$ 134,663	\$ 22,116	\$ 156,779	
Contribution Receivables (Note 4)	66,632	99,342	165,974	
Other Receivables	2,920	-	2,920	
TOTAL CURRENT ASSETS	204,215	121,458	325,673	37%
Capital Assets (net) (Note 5)	551,407	-	551,407	63%
<b>TOTAL ASSETS</b>	<b>\$ 755,622</b>	<b>\$ 121,458</b>	<b>\$ 877,080</b>	<b>100%</b>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Accounts Payable	\$ 22,683	\$ -	\$ 22,683	
Deferred Revenue (Note 4)	-	121,458	121,458	
Accrued Wages	6,518	-	6,518	
TOTAL CURRENT LIABILITIES	29,201	121,458	150,659	17%
<b>TOTAL LIABILITIES</b>	<b>29,201</b>	<b>121,458</b>	<b>150,659</b>	
NET ASSETS:				
Unrestricted	726,421	-	726,421	
Temporarily Restricted	-	-	-	
<b>TOTAL NET ASSETS</b>	<b>726,421</b>	<b>-</b>	<b>726,421</b>	<b>83%</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 755,622</b>	<b>\$ 121,458</b>	<b>\$ 877,080</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, 2014

	Unrestricted	Temporarily Restricted	Totals	% of Totals
<b>CHANGE IN NET ASSETS</b>				
SUPPORT:				
Corporate Contributions (Note 4)	\$ 650,558	\$ 73,260	\$ 723,818	91%
General Public Support (Note 4)	61,631	5,000	66,631	9%
<b>TOTAL SUPPORT</b>	712,189	78,260	790,449	100%
REVENUES:				
Special Fundraising Events	3,570	-	3,570	-
Interest Income	263	-	263	-
Net Assets released from restrictions:	78,260	(78,260)	-	-
<b>TOTAL REVENUES</b>	82,093	(78,260)	3,833	-
<b>TOTAL SUPPORT AND REVENUES</b>	794,282	-	794,282	100%
EXPENSES:				
Program Activities	563,293	-	563,293	61%
Support Activities	364,309	-	364,309	39%
<b>TOTAL EXPENSES</b>	927,602	-	927,602	100%
<b>CHANGE IN NET ASSETS</b>	<b>(133,320)</b>	-	<b>(133,320)</b>	
Net Assets, Beginning of the Year	852,241	-	852,241	
<i>Correction of a Previous Error:</i>				
Revenue Recognition (Note 6)	7,500	-	7,500	
Net Assets, Beginning of the Year, as restated	859,741	-	859,741	
<b>NET ASSETS, END OF THE YEAR</b>	<b>\$ 726,421</b>	<b>\$ -</b>	<b>\$ 726,421</b>	

The accompanying notes are an integral part of this statement



**RAINBOW HOUSE , INC.**

Statement of Functional Expenses  
For the Year ended December 31, **2014**

	Programs	Administrative Costs	Fundraising Expenses	Total Expenses
Labor Cost and Benefits:				
Salaries	\$ 341,901	\$ 170,951	\$ 56,984	\$ 569,836
Employee Benefits	65,172	32,586	10,862	108,620
Total Labor Cost and Benefits	<u>407,073</u>	<u>203,537</u>	<u>67,846</u>	<u>678,456</u>
Occupancy	28,127	14,064	4,688	46,879
Assistance to Others	37,847	-	-	37,847
Insurance Expense	22,439	11,219	3,740	37,398
Office Expense	21,151	10,575	3,525	35,251
Depreciation ( <b>Note 5</b> )	18,894	9,447	3,149	31,490
Travel	8,017	4,009	1,336	13,362
Employee Training	6,087	3,044	1,015	10,146
Supplies	5,900	2,950	983	9,833
Professional Fees	-	8,209	-	8,209
Payroll Service Fees	-	5,000	-	5,000
Equipment Lease	2,782	1,391	464	4,637
Miscellaneous Expenses	2,515	1,258	420	4,193
Computer Services	1,304	1,452	217	2,973
Advertising and Promotion	1,146	573	191	1,910
Interest Expense	11	5	2	18
<b>TOTAL ACTIVITIES</b>	<u><u>\$ 563,293</u></u>	<u><u>\$ 276,733</u></u>	<u><u>\$ 87,576</u></u>	<u><u>\$ 927,602</u></u>
<b>% of TOTAL ACTIVITIES</b>	<u><u>61%</u></u>	<u><u>30%</u></u>	<u><u>9%</u></u>	<u><u>100%</u></u>

The accompanying notes are an integral part of this statement

**RAINBOW HOUSE, INC.**

Statement of Cash Flows  
For the Year Ended December 31, **2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ (133,320)
Adjustments to reconcile Change in Net Assets to net cash provided by operating activities:	
Depreciation	31,490
Decrease (Increase) in:	
Contribution Receivables	(5,734)
Other Receivables	(2,920)
(Decrease) Increase in:	
Accounts Payable	7,552
Deferred Revenue	121,458
Accrued Wages	(22,424)
	<u>(3,898)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Capital Assets	<u>(7,742)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	
	<u>(7,742)</u>
Net Decrease in Cash	(11,640)
Cash at Beginning of the Year	<u>168,419</u>
<b>CASH AT END OF THE YEAR</b>	<b>\$ <u>156,779</u></b>

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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 cash equivalents held as of December 31, **2014**.

*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**.

*Interest Paid* - No interest was paid during the fiscal year.

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 temporary shelter for the caring of 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. Currently, the Shelter averages 14 children daily with an average length of stay of approximately 60 days, more if needed. 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)

*Organization and its Mission:*

#### **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 (CAAC)**; 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:

#### *Financial Highlights:*

The aggregate number of bed-stays provided in <b>2014</b> was <b>4,380</b> or approximately <b>61%</b> of the maximum capacity of 7,300 bed-stays (licensed capacity of 20 residents x 365 days).
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The <b>Organization</b> sustained an operating loss (Change in Net Assets) of <b>\$133,320</b> for the year. However, <b>\$129,422</b> or <b>97%</b> of this loss is attributable to depreciation and accounting for accruals. That is, the <b>Organization</b> would have a loss of <b>\$3,898</b> for <b>2014</b> on a <b>cash-basis</b> . Refer to <b>Page 6</b> of the Financial Statements.
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Payroll costs totaled <b>\$678,456</b> or <b>73%</b> of total expenses and represents the largest single expense. Occupancy costs at <b>\$46,879</b> or <b>5%</b> of total expenses represents the 2 <sup>nd</sup> largest expense. Combined, these costs represent <b>78%</b> of total expenses incurred in <b>2014</b> . Refer to <b>page 5</b> for this year's cost structure.
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### 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 of accounting, 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 functional expense allocations made as described 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:*

The cost of providing the **Organization's** Activities and Programs is charged to the activity or program benefited based on specific identification whenever possible. Expenses that cannot be specifically identified with an activity or program are allocated based on factors such as direct relationship of the related expense or time spent by employees. In **2014**, **30%** of all expenses were allocated to Administrative Costs and approximately **10%** to fundraising. The remaining **60%** are considered program costs.

Actual results could differ from the 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, 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 donor-imposed restrictions.

*Temporarily Restricted Net Assets* – defined as net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the **Organization** (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 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") and is classified as a public charity.

Donations 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, **2014**.

#### *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 **Organization's** 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. Accordingly, an income tax liability for uncertain tax benefits has not been recorded as of December 31, **2014**, and the **Organization** does not anticipate a material change in its uncertain tax benefits for the 12 months following December 31, **2014**. For federal tax purposes, tax periods from January 1, 2012 through December 31, **2014** 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>
Operating Account	\$ 98,328
Money Market Accounts	58,079
Petty Cash Funds	<u>372</u>
<b>Total Cash</b>	<b><u>\$156,779</u></b>

Temporarily Restricted Cash represents **\$14,583** received from Clayton County, Georgia and **\$7,533** from NCA in **2014** that benefits the 2015 program year.

#### *Custodial Risk:*

The risk, that in the event of a bank failure, the **Organization's** deposits may not be returned to it. On December 31, **2014**, all funds in bank accounts were fully insured by FDIC.

### 4. REVENUE RECOGNITION

Ninety-one (91) percent of the **Organization's** support came from corporate grants and contracts. In accordance with the recommendations of *FASB ASC 958-605-55-4*, these grants and contracts are classified as Contributions because the resource providers received no value in exchange.

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

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

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



## RAINBOW HOUSE, INC.

### Notes to the financial statements

#### 4. REVENUE RECOGNITION (continued)

When a Contribution has a donor or grantor-imposed *condition* (Conditional Contribution) such as to incur certain qualifying expenses, the Contribution is not recognized as revenue until the conditions are met, at which time the Contribution is recognized and classified in the Statement of Activities as Unrestricted or Temporarily Restricted Support, as applicable. The **Organization's** cost-reimbursement contracts are accounted for as donor-restricted Conditional Contributions as recommended by Financial Accounting Standards Board as codified at *FASB ASC 958-605-55-21*.

The following is a summary of revenue recognized for the year ended December 31, **2014** from each corporate award.

	<u>Revenue Recognized</u>	<u>Contribution Receivables</u>	<u>Deferred Revenue</u>
<i>Corporate Contributions:</i>			
Georgia Dept. of Human Services	\$ 465,098*	\$ 58,407	\$ ---
Clayton County, Georgia Children's Advocacy Centers Of Georgia (CACGA)	175,000*	72,917	87,500
Criminal Justice Coordinating Council (CJCC)	28,250	19,875	13,250
United Way of Greater Atlanta	18,168	---	---
CJCC/Crime Victims Assistance	13,175	13,175	13,175
Tulsa Community Foundation	8,460*	1,600	---
Emergency Food and Shelter Program (EFSP)	6,200	---	---
Speedway Children's Charities	5,000	---	---
National Children's Alliance (NCA)	2,000*	---	---
The Walmart Foundation	1,467	---	7,533
	<u>1,000</u>	<u>---</u>	<u>---</u>
<b>Total Corporate Contributions</b>	<b><u>\$ 723,818</u></b>	<b><u>\$ 165,974</u></b>	<b><u>\$ 121,458</u></b>

#### *Contribution Receivables:*

The contribution receivables are due within one year of December 31, **2014**. All receivables were realized in a timely manner. Accordingly, management does not need to record an allowance for doubtful accounts at December 31, **2014**.

#### *Deferred Revenue:*

The deferred revenue represents cash and other assets accumulated by the **Organization** that benefits the 2015 program year based on the funding period covered by the award.

\* classified as Unrestricted Support in the Statement of Activities.

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 4. REVENUE RECOGNITION (continued)

The **Organization** has the responsibility for expending corporate 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**.

#### *General Public Support:*

Nine percent (9%) of the **Organization's** support comes from the general public. A summary of the general public support received in **2014** is as follows:

	<u>Amount Given</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
General Public Support:			
Various small donations combined	\$ 61,631	\$ 61,631	\$ ---
Peggy H.	<u>5,000</u>	<u>---</u>	<u>5,000</u>
<b>Total General Public Support</b>	<b><u>\$ 66,631</u></b>	<b><u>\$ 61,631</u></b>	<b><u>\$ 5,000</u></b>

### 5. CAPITAL ASSETS

Acquisitions of Capital Assets (property and equipment) in excess of \$500 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

## RAINBOW HOUSE, INC.

### Notes to the financial statements

#### 5. CAPITAL ASSETS (continued)

The following is a summary of the Capital Assets, less accumulated depreciation at December 31, 2014. None were collateralized.

	<i>Property and Equipment</i>			Depreciable Life Remaining
	Cost	Accumulated Depreciation	Net Carrying Value	
Buildings	\$ 895,922	\$ (379,204)	\$ 516,718	22.5 years
Vehicles	121,329	( 93,872)	27,457	3.5 years
Machinery and Equipment	77,777	( 72,055)	5,722	4.5 years
Furniture and Fixtures	61,469	( 61,469)	---	**
Other Equipment	26,862	( 26,862)	---	**
Building Improvements	7,961	( 6,451)	1,510	4.5 years
<b>Totals</b>	<b><u>\$ 1,191,320</u></b>	<b><u>\$( 639,913)</u></b>	<b><u>\$ 551,407</u></b>	

\*\* Fully depreciated as of December 31, 2014.

	<u>Amount</u>
<i>Depreciation Expense:</i>	
Total Depreciation	<b><u>\$ 31,490</u></b>
Allocated to:	
Program Activities	<b><u>\$ 18,894</u></b>
Administrative Activities	<b><u>\$ 9,447</u></b>
Fundraising Activities	<b><u>\$ 3,149</u></b>

#### 6. CORRECTION OF A PREVIOUS ERROR

*Revenue Recognition:*

The first installment of **\$7,500** from the Children's Advocacy Centers of Georgia covering the period October 1, 2013 through December 31, 2013 was not accrued in 2013. The installment was recognized in February, 2014 when the cash was received. This was corrected by transferring the \$7,500 from 2014 revenue to 2013 equity (Net Assets).

# RAINBOW HOUSE, INC.

## Notes to the financial statements

### 7. FAIR VALUES OF FINANCIAL INSTRUMENTS

As established by *FASB ASC 820*, Fair Value Measurements, the accounting standards used to measure fair value and the rating system used for the valuation, are summarized as follows:

*Fair Value:*

The fair value is the price in an orderly (principal, or in the alternative, the most advantageous) market at the measurement date.

*The rating scale consists of three prioritization levels:*

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

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

Level 3 (the lowest) – the valuation 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 **Organization** did not own any securities for the year ended December 31, **2014**.

The carrying value of the financial instruments recognized in these Financial Statements; receivables, accounts payable, accrued wages and deferred revenue (the “Financial Instruments”) approximate their fair values since such instruments are liquid by nature or convert to cash rapidly and therefore, are recorded and presented at the most recent market value. Accordingly, these Financial Instruments have a Level 1 rating.

### 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2015, 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.