

**RAINBOW ACRES  
(A NONPROFIT CORPORATION)**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2020 and 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and  
Audit Committee of  
Rainbow Acres

We have audited the accompanying financial statements of Rainbow Acres (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

### Auditors' Responsibility

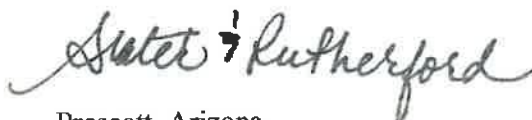
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Acres as of December 31, 2020 and 2019, 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.



Prescott, Arizona  
July 27, 2021

**RAINBOW ACRES**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents (Note 2)	\$ 711,198	\$ 962,193
Cash restricted for Rancher funds (Note 2)	60,301	62,236
Accounts receivable (Note 2)	38,603	23,089
Pledges receivable, net of allowance and discount of \$7,685 for 2019 and \$9,150 for 2020 (Note 2 & 4)	95,000	8,115
Prepaid expenses (Note 2)	42,350	21,701
Inventory (Note 2)	23,584	25,576
Total current assets	971,036	1,102,910
Property and equipment, net (Note 2 & 7)	10,262,997	10,562,139
Other Assets		
Cash surrender value of life insurance policies (Note 8)	24,743	23,588
Endowment investments (Note 5 & 6)	4,386,969	3,516,969
Total other assets	4,411,712	3,540,557
TOTAL ASSETS	\$ 15,645,745	\$ 15,205,606
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 53,831	\$ 196,816
Accrued liabilities	293,443	304,175
Retirement plan contributions payable	44,016	81,585
Prepaid ranchers' fees (Note 16)	255,777	319,262
Deferred revenue (Note 16)	38,887	-
Rancher funds - passthrough	15,333	16,582
Line of credit (Note 9)	250,000	335,000
Total current liabilities	951,287	1,253,420
Payroll Protection Program loan obligation (Note 10)	726,987	-
Deposits (Note 11)	129,365	125,102
TOTAL LIABILITIES	1,807,639	1,378,522
NET ASSETS		
Without donor restrictions		
Undesignated	7,817,802	8,840,516
Board designated	851,363	464,606
With donor restrictions		
Restricted by time or purpose (Note 12)	2,501,328	1,936,639
Held in perpetuity (Note 12)	2,667,613	2,585,323
TOTAL NET ASSETS	13,838,106	13,827,084
TOTAL LIABILITIES AND NET ASSETS	\$ 15,645,745	\$ 15,205,606

See notes to financial statements  
and independent auditors' report

**RAINBOW ACRES**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restrictions	Perpetual Restrictions	
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
<b>Operating Revenue</b>				
Fees for services to ranchers	\$ 4,310,424	\$ -	\$ -	\$ 4,310,424
Less: scholarships and discounts	(1,202,313)	-	-	(1,202,313)
Net fees for services to ranchers	3,108,111	-	-	3,108,111
Contributions	1,097,371	1,050,516	47,187	2,195,074
Grants	-	130,883	-	130,883
In-kind donations	28,646	-	-	28,646
Interest and dividend income, net of investment fees	8,824	69,593	-	78,417
Other revenues	25,651	-	-	25,651
	4,268,603	1,250,992	47,187	5,566,782
<b>Non-operating gains/(losses)</b>				
Realized/unrealized gain(loss) on investments	67,455	416,459	-	483,914
Gain/(loss) on sale of property and equipment	4,879	-	-	4,879
Gain/(loss) on value of life insurance policies	-	1,155	-	1,155
Total revenue, support, gains	4,340,937	1,668,606	47,187	6,056,730
Reclassification and release from net asset restrictions	1,068,814	(1,103,917)	35,103	-
<b>TOTAL REVENUE, GAINS, RECLASSIFICATIONS AND RELEASES FROM RESTRICTIONS</b>	5,409,751	564,689	82,290	6,056,730
<b>EXPENSES</b>				
Program services	4,486,830	-	-	4,486,830
Management and administration	832,601	-	-	832,601
Fund raising and development	726,277	-	-	726,277
<b>TOTAL EXPENSES</b>	6,045,708	-	-	6,045,708
<b>INCREASE(DECREASE) IN NET ASSETS</b>	(635,957)	564,689	82,290	11,022
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	9,305,122	1,936,639	2,585,323	13,827,084
<b>NET ASSET, END OF YEAR</b>	<u>\$ 8,669,165</u>	<u>\$ 2,501,328</u>	<u>\$ 2,667,613</u>	<u>\$ 13,838,106</u>

	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restrictions	Perpetual Restrictions	
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
<b>Operating Revenue</b>				
Fees for services to ranchers	\$ 4,424,267	\$ -	\$ -	\$ 4,424,267
Less: scholarships and discounts	(1,288,597)	-	-	(1,288,597)
Net fees for services to ranchers	3,135,670	-	-	3,135,670
Contributions	733,601	1,174,960	323,203	2,231,764
Grants	-	23,893	-	23,893
In-kind donations	139,584	-	-	139,584
Interest and dividend income, net of investment fees	6,793	76,097	-	82,890
Other revenues	56,801	-	-	56,801
	4,072,449	1,274,950	323,203	5,670,602
<b>Non-operating gains/(losses)</b>				
Realized/unrealized gain(loss) on investments	46,268	476,891	-	523,159
Gain/(loss) on sale of property and equipment	5,561	-	-	5,561
Gain/(loss) on value of life insurance policies	-	3	-	3
Total revenue, support, gains	4,124,278	1,751,844	323,203	6,199,325
Transfer of endowment assets in accordance with donor request (Note 6)	-	(21,045)	21,045	-
Reclassification and release from net asset restrictions	1,374,926	(1,374,926)	-	-
<b>TOTAL REVENUE, GAINS, RECLASSIFICATIONS AND RELEASES FROM RESTRICTIONS</b>	<b>5,499,204</b>	<b>355,873</b>	<b>344,248</b>	<b>6,199,325</b>
<b>EXPENSES</b>				
Program services	4,316,323	-	-	4,316,323
Management and administration	704,221	-	-	704,221
Fund raising and development	816,044	-	-	816,044
<b>TOTAL EXPENSES</b>	<b>5,836,588</b>	<b>-</b>	<b>-</b>	<b>5,836,588</b>
<b>INCREASE(DECREASE) IN NET ASSETS</b>	<b>(337,384)</b>	<b>355,873</b>	<b>344,248</b>	<b>362,737</b>
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	<b>9,642,506</b>	<b>1,580,766</b>	<b>2,241,075</b>	<b>13,464,347</b>
<b>NET ASSET, END OF YEAR</b>	<b>\$ 9,305,122</b>	<b>\$ 1,936,639</b>	<b>\$ 2,585,323</b>	<b>\$ 13,827,084</b>

**RAINBOW ACRES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

2020

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING & DEVELOPMENT	TOTAL
Advertising and public relations (Note 2)	\$ 3,120	\$ 4,848	\$ 24,677	\$ 32,645
Bad debt expense	-	5,467	-	5,467
Bank and investment fees	605	27,854	-	28,459
Computer expense	-	29,026	14,594	43,620
Conferences, conventions, and meetings	-	1,486	3,618	5,104
Depreciation	451,670	12,035	3,856	467,561
Dues and subscriptions	495	10,154	1,718	12,367
Employee benefits	309,077	44,432	27,594	381,103
Equipment rental and maintenance	369	12,798	-	13,167
Housing allowances	11,333	11,333	46,334	69,000
Insurance	108,183	24,613	4,968	137,764
Interest (Note 9)	15,728	-	-	15,728
Licenses and permits	10,752	-	-	10,752
Occupancy	418,260	3,249	1,908	423,417
Payroll taxes	191,914	33,589	28,833	254,336
Printing and postage	223	17,527	41,051	58,801
Professional fees	-	49,179	75,890	125,069
Program expenses - Ranchers				
Cable	20,611	-	-	20,611
Activities and supplies	20,993	-	-	20,993
Animal science program	6,964	-	-	6,964
Food	236,570	-	-	236,570
Greenhouse	66	-	-	66
Health, wellness and development	27,580	-	-	27,580
Household supplies	11,246	-	-	11,246
Travel, trips	12,893	-	-	12,893
Property taxes	-	102	-	102
Retirement plan contributions (Note 14)	97,030	3,543	13,257	113,830
Salaries and wages	2,432,810	509,623	423,628	3,366,061
Special events	7,442	-	-	7,442
Supplies	5,557	9,713	1,847	17,117
Telecommunications	11,211	2,303	152	13,666
Training and development	6,060	18,180	39	24,279
Travel and transportation	20,085	1,264	12,313	33,662
Vehicle	24,126	-	-	24,126
Miscellaneous	23,857	283	-	24,140
	<u>\$ 4,486,830</u>	<u>\$ 832,601</u>	<u>\$ 726,277</u>	<u>\$ 6,045,708</u>
	74.2%	13.8%	12.0%	

2019

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING & DEVELOPMENT	TOTAL
Advertising and public relations (Note 2)	\$ 2,929	\$ 6,912	\$ 15,508	\$ 25,349
Bad debt expense	-	3,763	-	3,763
Bank and investment fees	1,458	24,944	-	26,402
Computer expense	-	6,651	16,660	23,311
Conferences, conventions, and meetings	850	7,425	8,591	16,866
Depreciation	430,999	9,280	3,865	444,144
Dues and subscriptions	990	10,536	11,907	23,433
Employee benefits	293,546	42,538	22,714	358,798
Equipment rental and maintenance	206	13,600	-	13,806
Housing allowances	8,134	8,133	35,133	51,400
Insurance	99,762	21,232	4,612	125,606
Interest (Note 9)	14,646	-	-	14,646
Licenses and permits	10,603	43	7,862	18,508
Occupancy	444,191	3,611	2,121	449,923
Payroll taxes	166,939	27,451	25,353	219,743
Printing and postage	98	10,344	32,882	43,324
Professional fees	-	59,171	140,665	199,836
Program expenses - Ranchers				
Cable	19,043	-	-	19,043
Activities and supplies	50,581	-	-	50,581
Animal science program	10,095	-	-	10,095
Food	160,991	-	-	160,991
Greenhouse	6,639	-	-	6,639
Health, wellness and development	13,664	-	-	13,664
Household supplies	10,369	-	-	10,369
Travel, trips	65,752	-	-	65,752
Property taxes	-	3,340	-	3,340
Retirement plan contributions (Note 14)	82,594	6,300	26,758	115,652
Salaries and wages	2,273,707	399,799	386,430	3,059,936
Special events	16,512	-	-	16,512
Supplies	2,793	8,317	2,122	13,232
Telecommunications	13,127	9,054	1,708	23,889
Training and development	7,011	18,827	1,134	26,972
Travel and transportation	56,198	2,440	70,019	128,657
Vehicle	37,241	-	-	37,241
Miscellaneous	14,655	510	-	15,165
	<u>\$ 4,316,323</u>	<u>\$ 704,221</u>	<u>\$ 816,044</u>	<u>\$ 5,836,588</u>
	74.0%	12.1%	14.0%	

See notes to financial statements  
and independent auditors' report



**RAINBOW ACRES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase(decrease) in net assets	\$ 11,022	\$ 362,737
Adjustments to reconcile increase(decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	467,561	444,144
Bad debt expense	5,467	3,763
Realized (gain) on investments	(80,401)	(35,722)
Unrealized (gain) on investments	(403,513)	(487,436)
(Gain) on disposition of assets	(4,879)	(5,561)
Property and equipment donated	-	(121,700)
Change in value of life insurance policies	(1,155)	(3)
Decrease (Increase) in:		
Accounts receivable	(15,514)	327
Pledges receivable	(92,352)	34,521
Prepaid expenses	(20,649)	52,673
Inventory	1,992	(20,209)
Increase (Decrease) in:		
Accounts payable	(142,985)	80,253
Accrued liabilities	(10,732)	37,419
Retirement plan contributions payable	(37,569)	(32,787)
Prepaid ranchers' fees	(63,485)	44,481
Deferred revenue	38,887	-
Rancher funds - passthrough	(1,249)	(33)
Deposits	4,263	(2,065)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(345,291)</b>	<b>354,802</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(168,432)	(110,251)
Proceeds from sale of property and equipment	4,892	6,325
Reinvested dividends and interest	(81,047)	(85,118)
Net (purchases) of investments, net of fees	(305,039)	(164,931)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(549,626)</b>	<b>(353,975)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing on lines of credit	315,000	200,000
Payments on lines of credit	(400,000)	(15,000)
Proceeds from PPP loan obligation	726,987	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>641,987</b>	<b>185,000</b>
<b>NET INCREASE(DECREASE) IN CASH</b>	<b>(252,930)</b>	<b>185,827</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD</b>	<b>1,024,429</b>	<b>838,602</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 771,499</b>	<b>\$ 1,024,429</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	\$ 15,728	\$ 14,646

See notes to financial statements  
and independent auditors' report

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**NOTE 1 – ORGANIZATION AND PURPOSE**

Rainbow Acres (a nonprofit corporation) was incorporated in Arizona in the month of September 1973. Rainbow Acres (“The Organization”) provides a Christian community for developmentally-disabled adults dedicated to enhancing the quality of life by assisting such individuals to achieve mental, physical, social, spiritual and vocational growth to their fullest potential with dignity and purpose. Persons enrolled at the Organization are usually referred to as Ranchers. The Organization is located on a campus in Camp Verde, Arizona. The Organization’s programs are supported primarily through fees charged to Ranchers (usually paid by parents, siblings, and other members of their families, or sometimes paid from Social Security payments), and contributions.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). The significant accounting policies followed are described below.

Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board (FASB) in accordance with GAAP. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, based upon the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations may be expended for any purpose in performing the primary objectives of the Organization. Certain net assets without donor restrictions are designated for specific purposes or uses by the Organization’s Board and classified as *Board Designated Net Assets*.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated that the funds or assets be maintained in perpetuity.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support.

Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a donor restriction ends or purpose is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions, and are reported in the statement of activities as net assets released from restrictions.

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Endowment funds have been accounted for and related disclosures made in accordance with “Endowment of Not-for-profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds.” This provides guidance on net asset classification of donor-restricted endowment funds for non-profits subject to an enacted version of UPMIFA and required enhanced disclosures for all endowment funds.

Contributed Services and Materials

Generally, professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. However, many individuals volunteer their time and perform a variety of tasks that do not meet the criterion for recognition. Management estimates that more than 11,000 hours per year of assistance were given by more than 350 volunteers and board members during 2020 and 2019.

Contributions of tangible assets are recognized at fair market value when received. Contributed services and materials of \$28,646 and \$139,584 have been reflected in the financial statements as of December 31, 2020 and 2019, respectively. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or property and equipment.

Cash and Cash Equivalents

The Organization considers short term, highly liquid investments which are readily convertible to cash within ninety (90) days of purchase to be cash equivalents. As of December 31, 2020 and 2019, the Organization had cash deposits in excess of the Federal Deposit Insurance Corporation limits in the amount of \$371,211 and \$436,296, respectively. The Organization has not experienced any losses from these accounts. Cash restricted for endowments is listed separately on the Statement of Financial Position, and cash restricted by the Board is included in cash and cash equivalents. Cash restricted for Rancher funds, which includes donor-restricted funds for Rancher vacations and Rancher passthrough funds, is listed separately on the Statements of Financial Position.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Statements of Financial Position, the sum of which equals the amounts shown in the Statements of Cash Flows.

	<u>12/31/2020</u>	<u>12/31/2019</u>
Cash and cash equivalents	\$711,198	\$ 962,193
Cash restricted for Rancher funds	<u>60,301</u>	<u>62,236</u>
	<u>\$771,499</u>	<u>\$1,024,429</u>

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts Receivable

Accounts receivable consist primarily of Ranchers' fees that are due on the first day of each month. There are no amounts charged if payments are late. As of December 31, 2020 and 2019, the Organization considers Ranchers' fees to be fully collectible. Ranchers' accounts are reviewed on a continuous basis. Determinations are made regarding whether a scholarship for a particular Rancher is warranted or whether parents or those financially responsible need to be contacted. Accounts deemed uncollectible are either charged an allowance or written off to bad debt. During 2020, \$3,680 in accounts deemed uncollectible were written off to bad debt. No accounts were written off in 2019. As of December 31, 2020, all outstanding accounts are considered to be fully collectible. The allowance for doubtful accounts is \$0 at December 31, 2020 and 2019.

Pledges Receivable

Unconditional promises to give (or *pledges receivable*) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. Pledges are reviewed periodically for collectability, and accounts deemed uncollectible are either charged to an allowance or written off to bad debt. During 2019, \$1,150 of pledges receivable were written off. No accounts were written off in 2020. The allowance for doubtful pledges is \$9,150 and \$7,363, respectively, at December 31, 2020 and 2019.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give at December 31, 2020 and 2019.

Prepaid expenses

Prepaid expenses consist of insurance payments, software usage payments, water treatment media payments, and payments made in advance for events that will occur in the next fiscal year. Prepaid expenses are recognized as expense either ratably over the term of the agreement or when the event occurs.

Inventories

Inventories are applicable to food service goods and books held for resale and stated at lower of cost or market, utilizing the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or completion, or fair market value at date of donation in the case of gifts. The Organization's policy is to record purchases of property and equipment at costs in excess of \$5,000 as capital assets. Repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed when incurred.

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Donations of vehicles and equipment are recorded as in-kind support and are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property or equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donations of real property may be absent donor restrictions, with donor restrictions of time or purpose, or with donor restrictions to be held on perpetuity. Periodically, the Organization receives or purchases property and equipment with restricted monies. Property or an amount of cash as agreed upon with the donor could technically revert back to the donor if not utilized for the specified purposes.

Fixed assets are depreciated primarily using the straight-line method over the estimated useful lives of individual assets as follows:

Buildings and improvements	7 to 40 years
Furniture, fixtures, machinery and equipment	5 to 10 years
Office equipment	3 to 7 years
Vehicles	5 to 10 years

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values based on quoted prices in active markets (Level 1) in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets for which the investment relates.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expenses are \$26,954 and \$19,334 for the years ended December 31, 2020 and 2019, respectively, and are included in *Advertising and public relations* in the Statements of Functional Expenses.

Income Taxes

The Organization has been classified as an Arizona Nonprofit Corporation that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; in addition, the Organization has no Unrelated Business Income Tax liabilities. Therefore, no provision has been made for income taxes due in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Allocation of Expenses

The costs of providing the programs and other various activities have been summarized on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are directly identifiable, such as most salaries and wages, are charged directly to programs on the basis of periodic analyses and studies. Expenses such as employee benefits and payroll taxes are allocated based on salary allocations by department. Other program-related expenses, such as depreciation, insurance, and utilities, are allocated based on property and equipment usage by department. Administration and fundraising expenses include both directly identifiable and allocated expenses not easily identifiable with specific program operations but related to the overall support and management of the Organization. All other expenses are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

The following represents the Organization’s financial assets at December 31,

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$711,198	\$962,193
Accounts receivable	38,603	23,089
Pledges receivable	<u>95,000</u>	<u>8,115</u>
Total financial assets at year-end	844,801	993,397
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	321,960	286,885
Pledges receivable due in 2 to 4 years, net	<u>-</u>	<u>678</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$522,841</u>	<u>\$705,834</u>

The Organization maintains sufficient resources to meet donor-imposed restrictions. As part of the Organization’s liquidity management plan, the board has established a reserve fund (see Note 5). Although the goal is to leave these funds invested, they can be drawn upon if necessary to meet unexpected liquidity needs. The balance of these funds as of December 31, 2020 and 2019, respectively, was \$668,288 and \$269,219.

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 – AVAILABILITY AND LIQUIDITY (continued)**

In addition, the Organization maintains a revolving line of credit with JPMorgan Chase Bank that can be drawn upon to meet unexpected liquidity needs (see Note 9). The credit limit is \$500,000, and as of December 31, 2020 and 2019, the amount available to draw upon was \$250,000 and \$165,000, respectively.

**NOTE 4 – PLEDGES RECEIVABLE**

**Pledges receivable consist of the following at December 31, 2019:**

	Due in <u>1 Year</u>	Due in <u>2-4 Years</u>	<u>Total</u>
Annual support campaign pledges receivable	\$11,850	\$3,950	\$15,800
Less:			
Discount to net present value	-	322	322
Allowance for uncollectible pledges	<u>4,413</u>	<u>2,950</u>	<u>7,363</u>
Net pledges receivable	<u>\$ 7,437</u>	<u>\$ 678</u>	<u>\$ 8,115</u>

**Pledges receivable consist of the following at December 31, 2020:**

	Due in <u>1 Year</u>	Due in <u>2-4 Years</u>	<u>Total</u>
Annual support campaign pledges receivable	\$104,150	\$ -	\$104,150
Less:			
Discount to net present value	-	-	-
Allowance for uncollectible pledges	<u>9,150</u>	<u>-</u>	<u>9,150</u>
Net pledges receivable	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>

Pledges due in 2-4 years have been discounted at a 7.05% annual rate of interest. The pledges receivable are not restricted in use but are restricted by time.

**NOTE 5 – INVESTMENTS**

The Organization hires third party investment managers to manage the investment assets of the Organization. Investment securities are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and money market accounts	\$ 214	\$ 16
Marketable equity securities	2,596,729	1,950,916
Preferred Stock	-	30,097
Corporate/government bonds	1,591,018	1,253,745
Mutual funds	199,008	266,106
Other Investments/Partnership	<u>-</u>	<u>16,089</u>
	<u>\$4,386,969</u>	<u>\$3,516,969</u>

**RAINBOW ACRES**  
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**NOTE 5 – INVESTMENTS (continued)**

An analysis of investments at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Board designated (without donor restriction)	\$ 668,288	\$ 269,219
With donor-stipulated purpose restrictions	1,051,068	662,427
Held in perpetuity per donor restrictions	<u>2,667,613</u>	<u>2,585,323</u>
	<u>\$4,386,969</u>	<u>\$3,516,969</u>

Earnings (losses) on investments held in perpetuity have been reclassified as either with or without donor restrictions, depending on donor stipulations for how earnings (losses) should be treated.

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest	\$ 6,572	\$ 78,546	\$ 85,118
Capital gain distributions	90	13,685	13,775
Net realized/unrealized gains	46,507	463,206	509,713
Investment fees	<u>(10)</u>	<u>(2,449)</u>	<u>(2,459)</u>
Total investment return	<u>\$53,159</u>	<u>\$552,988</u>	<u>\$606,147</u>

Investment return and its classification in the Statement of Activities for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest	\$ 8,945	\$ 72,102	\$ 81,047
Capital gain distributions	4,139	25,108	29,247
Net realized/unrealized (losses)	62,553	391,351	453,904
Investment fees	<u>(459)</u>	<u>(2,509)</u>	<u>(2,968)</u>
Total investment return	<u>\$75,178</u>	<u>\$486,052</u>	<u>\$561,230</u>

The Organization holds investment securities at a single institution that accounted for 26.9% and 20.5% of Total Assets as of December 31, 2020 and 2019, respectively. The Organization has not experienced any credit losses, and, as the investment institution is highly respectable and has no history of credit losses, the Organization does not believe it is exposed to any significant credit risk on these holdings.



**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 – ENDOWMENTS**

The Organization’s endowments consist primarily of managed funds in Vanguard, Stifel and Edward Jones. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Board designated funds, which function as “quasi-endowments” for the Organization, are invested like endowment funds and are classified as without donor restriction.

**Interpretation of Relevant Law:**

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets held in perpetuity (a) the original value of gifts donated to be held in perpetuity, as stipulated by the donor (b) the original value of subsequent gifts to endowment to be held in perpetuity, as stipulated by the donor, and (c) accumulations to the endowment to be held in perpetuity, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets held in perpetuity is classified as net assets restricted by time and purpose until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

**Description of Amounts Classified as Net Assets Held in Perpetuity and Net Assets with Time and Purpose Restrictions (Endowment only – including Board-designated)**

**Endowment Net Asset Composition by Type of Fund as of December 31, 2019:**

	<u>Without Donor Restriction</u>		<u>With Donor Restriction</u>		
	<u>Undesignated</u>	Board <u>Designated</u>	Time & Purpose <u>Restricted</u>	Held In <u>Perpetuity</u>	<u>Total</u>
Endowment Funds					
Investments	\$ -	\$269,219	\$662,427	\$2,585,323	\$3,516,969

**RAINBOW ACRES  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 6 – ENDOWMENTS (continued)**

**Endowment Net Asset Composition by Type of Fund as of December 31, 2020:**

	<u>Without Donor Restriction</u>		<u>With Donor Restriction</u>		<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Time &amp; Purpose Restricted</u>	<u>Held In Perpetuity</u>	
Endowment Funds					
Investments	\$ -	\$668,288	\$1,051,068	\$2,667,613	\$4,386,969

**Changes in Endowment Net Assets for the Fiscal Years Ended December 31, 2020 and 2019**

	<u>Without Donor Restriction</u>		<u>With Donor Restriction</u>		<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Time &amp; Purpose Restricted</u>	<u>Held In Perpetuity</u>	
Endowment net assets, At December 31, 2018	\$ -	\$227,419	\$275,268	\$2,241,075	\$2,743,762
Investment return:					
Interest and dividends	\$ -	\$ 6,572	\$78,546	\$ -	\$ 85,118
Net realized/unrealized gain/(loss)	-	46,597	476,891	-	523,488
Investment fees	-	(10)	(2,449)	-	(2,459)
Total investment return	-	53,159	552,988	-	606,147
Contributions	-	10,000	-	323,203	333,203
Amounts transferred	-	-	(21,045)	21,045	-
Amounts appropriated for expenditure	-	(21,359)	(144,784)	-	(166,143)
2019 Activity	-	41,800	387,157	344,250	773,207
<b>Endowment net assets, at December 31, 2019</b>	<b>\$ -</b>	<b>\$269,219</b>	<b>\$662,427</b>	<b>\$2,585,323</b>	<b>\$3,516,969</b>
Investment return:					
Interest and dividends	\$ -	\$ 8,945	\$ 72,102	\$ -	\$ 81,047
Net realized/unrealized gain/(loss)	-	66,692	416,459	-	483,151
Investment fees	-	(459)	(2,509)	-	(2,968)
Total investment return	-	75,178	486,052	-	561,230
Contributions	-	309,910	-	47,187	357,097
Amounts transferred	-	149,071	(7,433)	35,103	176,741
Amounts appropriated for expenditure	-	(135,090)	(89,978)	-	(225,068)
2020 Activity	-	399,069	388,641	82,290	870,000
<b>Endowment net assets, at December 31, 2020</b>	<b>\$ -</b>	<b>\$668,288</b>	<b>\$1,051,068</b>	<b>\$2,667,613</b>	<b>\$4,386,969</b>

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 -- ENDOWMENTS (continued)**

During 2020 and 2019, in accordance with donor request, \$7,433 and \$21,045, respectively, was transferred from earnings on an endowment to the endowment principal. Those funds were reclassified from time and purpose restricted to net assets held in perpetuity on the Statement of Activities.

Also during 2020, in accordance with donor request, \$27,670 in funds previously restricted by purpose were used to establish an endowment to be held in perpetuity. Those funds were reclassified from time and purpose restricted to net assets held in perpetuity on the Statement of Activities.

In addition, during 2020, the board voted to designate \$149,071 of undesignated funds to a board-designated endowment. Because these funds were without donor restriction both before and after the transfer, no reclassification is presented on the Statement of Activities.

**Risk Objectives and Risk Parameters**

The Organization has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include the assets of the donor-restricted funds that the entity must hold in perpetuity plus any board restricted quasi-endowment funds.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to outperform over market cycle an appropriate pre-specified market index rate of return, and to achieve favorable investment results relative to investors with similar objectives and policies, and to achieve the maximum total return over the long term that is commensurate with a reasonable degree of risk.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Currently, this involves a mix of 40% fixed income investments and 60% equity investments.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy of appropriating for distribution 4% of the 12-quarter rolling average of the market value of the endowment fund. Any remaining earnings will be reinvested into the fund to grow the endowment. Distributions will not be made from the corpus of donor-restricted funds. This is consistent with the entities' objective to maintain the purchasing power of the endowment assets held in perpetuity as well as provide additional real growth through new gifts and investment return.

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 343,417	\$ 343,417
Land improvements	11,970	11,970
Buildings	13,604,851	13,587,470
Building improvements	1,187,530	1,114,439
Barns and corrals	131,692	131,692
Furniture & fixtures	318,308	318,308
Machinery & equipment	282,739	259,417
Office equipment	103,603	103,603
Vehicles	537,750	529,526
Construction in progress	<u>46,967</u>	<u>20,970</u>
	16,568,827	16,420,812
Less accumulated depreciation	<u>(6,305,830)</u>	<u>(5,858,673)</u>
Total, net of accumulated depreciation	<u>\$10,262,997</u>	<u>\$10,562,139</u>

Depreciation expense for the year ended December 31, 2020 and 2019 is \$467,561 and \$444,144, respectively.

**NOTE 8 – LIFE INSURANCE**

Two life insurance policies were donated to the Organization by founding members Mark Showers and Marilyn Showers in prior years. These policies are reflected in the Statements of Financial Position and, under the terms of the donors, may not be sold or cancelled. The face values or net death benefit of these policies are \$280,000 and \$120,000 respectively. Current net equity or surrender value of these policies at December 31, 2020 and 2019 is \$24,743 and \$23,588, respectively.

**NOTE 9 – LINE OF CREDIT**

In January 2018, the Organization renewed a revolving line of credit with JPMorgan Chase Bank. The credit limit is \$500,000 with interest payable monthly at 2.30% per annum over the bank's Prime Rate. The line was drawn on during the year for operational purposes, and the outstanding line of credit balance as of December 31, 2020 and 2019, respectively, was \$250,000 and \$335,000. The line of credit is secured by buildings and land.

Interest expense was \$15,728 and \$14,646 for the years ended December 31, 2020 and 2019, respectively.

**RAINBOW ACRES  
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**NOTE 10 – PAYROLL PROTECTION PROGRAM (PPP) LOAN OBLIGATION**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In response to the impact of the pandemic, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted on March 27, 2020. The Paycheck Protection Program (PPP) was established under Division A, Title I of the CARES Act, and is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. This program provides small businesses and eligible nonprofit organizations with funds to pay up to 24 weeks of payroll costs, including benefits, subject to certain limitations. Funds can also be used to pay interest on mortgages, rent, and utilities. If guidelines are followed and funds are spent only on eligible expenses, up to 100% of a PPP loan may be forgiven.

On May 1, 2020, the Organization received a PPP loan in the amount of \$726,987 to be used for eligible expenses. Any amounts subsequently forgiven will be recorded as revenue at that time, and any amounts not forgiven will bear an interest rate of 1% and have a maturity date of 2 years. Because no portion of the loan was forgiven as of December 31, 2020, the entire amount is recorded as a loan obligation as of December 31, 2020. The loan was subsequently forgiven in full on May 17, 2021 and was recorded as Other Income upon forgiveness.

**NOTE 11 – DEPOSITS**

Deposits consist of refundable rancher and employee residence deposits, and employee deposits for uniforms, keys, and identification tags. These consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Rancher deposits	\$121,682	\$118,487
Employee rental deposits	300	300
Employee property deposits	-	6,315
Employee deposits - other	<u>7,383</u>	<u>-</u>
	<u>\$129,365</u>	<u>\$125,102</u>

**NOTE 12 – RESTRICTIONS ON NET ASSETS**

All donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor-restricted net assets fall into two categories: assets with donor restrictions that are temporary in nature, and assets with donor restrictions that are perpetual in nature. Donor restrictions that are temporary in nature will be met by the actions of the Organization or the passage of time. Donor restrictions that are perpetual in nature require, per donor stipulation, that the donated funds or assets be maintained in perpetuity. When a restriction that is temporary in nature expires, net assets with donor restrictions are reclassified to net assets without donor restriction, and are reported in the Statement of Activities as net assets released from restrictions. A temporary restriction exists for the independent living apartments partially funded through a grant by the Arizona Department of Housing. The Organization must use the apartments as rental housing for developmentally disabled adults for twenty years as stipulated in the funding agreement. See Note 13.

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 – RESTRICTIONS ON NET ASSETS (continued)**

Net assets restricted by time and purpose at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Rancher programs and activities	\$ 321,962	\$ 262,133
Rancher funds – passthrough	15,334	16,583
Rancher vacation funds	44,967	45,653
Independent living apartments (ADOH)	750,000	750,000
New homes and improvements capital funds	26,225	24,752
Life insurance policies	24,743	23,588
ADOT vehicles	172,029	143,388
Pledges receivable (restricted by time)	95,000	8,115
Unappropriated earnings on endowments	<u>1,051,068</u>	<u>662,427</u>
	<u>\$2,501,328</u>	<u>\$1,936,639</u>

Net assets held in perpetuity, per donor stipulation, at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Palmer endowment	\$1,000,000	\$1,000,000
Taber endowment	365,016	365,016
FBC Santa Ana endowment	250,000	250,000
General endowment	230,159	230,159
Lattanzi funds endowment	193,500	193,500
Worden endowment	134,240	126,808
Lago Gardens endowment	173,091	125,903
Edward Jones endowment	100,000	100,000
House endowment	57,056	57,056
Nash house endowment	46,450	46,450
Olson performing arts endowment	27,670	-
Scholarship endowment	65,431	65,431
Choir endowment	<u>25,000</u>	<u>25,000</u>
	<u>\$2,667,613</u>	<u>\$2,585,323</u>

**NOTE 13 – ADOH RESTRICTION**

The Organization currently has a funding agreement with the Arizona Department of Housing that in exchange for an award of \$750,000, it will construct and manage independent living apartments on the premises currently held by Rainbow Acres for the purposes of providing rental housing for developmentally disabled adults. The Organization must utilize the apartments for the intended purpose for a period of twenty years or else return the award of \$750,000 plus any accrued interest at .5% per month until default is cured.

**RAINBOW ACRES**  
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**NOTE 13 – ADOH RESTRICTION (continued)**

The agreement is based on a 20-year note maturing on January 1, 2032. The amount of the award originated in stages during the construction of the independent apartment units to its maximum amount of \$750,000. The Organization provided additional capital to build the apartments.

The interest rate for the life of the loan is a fixed rate of zero (0.0) percent as long as the covenants of the housing agreement are met. On the maturity date, if no event of default occurs, Rainbow Acres' obligation to repay the note shall terminate and the Organization will be entitled to a release of the Deed of Trust that secures the note upon payment of a reasonable fee for preparation and recordation of the release. The note will be deemed satisfied upon the Organization's fulfilling the obligations of the note as stated above thereby releasing the obligation to repay funds. The property referred to as the Independent Living Apartments at 2120 West Reservation Loop Road in the City of Camp Verde, County of Yavapai is collateral for the note payable. Because of the unlikely probability that the Organization will default, the obligation has not met the criteria for recognition as a contingent liability. The donor restriction will remain until forgiven.

**NOTE 14 – DEFINED CONTRIBUTION RETIREMENT PLAN**

The Organization contributes to a defined contribution retirement plan sponsored by the Ministers and Missionaries Benefits Board (MMBB) on behalf of all eligible employees under IRS Code 403(b)(9). Three plans are available, depending on eligibility status. The Comprehensive Plan is only available to those who have participated in the Comprehensive Plan at a previous employer and wish to continue. The Organization will contribute 16% of an eligible employee's annual compensation to the plan on a monthly basis. The Retirement Only Plan is available to all employees that work at least 30 hours per week. The employer contribution for this plan is either \$50 per month or \$250 per month, depending on criterion documented in the plan. Eligible and participating employees may make additional contributions to a third plan, "Member Contribution Plan," up to the currently allowed limits imposed by the IRS.

The Organization's contributions to the retirement plans for the year ended December 31, 2020 and 2019 totaled \$113,830 and \$115,652, respectively.

**NOTE 15 – OPERATING LEASES**

The Organization leases two pieces of office equipment. The first is for a postage machine with Pitney Bowes dated July 29, 2015, requiring quarterly payments of \$240 for 4 years, expiring July 2019. The postage machine was purchased at the end of the lease. The second lease is for a copier system with Xerox dated October 31, 2018, requiring monthly payments of \$957 for 60 months, expiring December 2023. The amounts paid in 2020 and 2019, respectively, for the office equipment leases, including fees and insurance, was \$12,113 and \$13,600, and are included in *Equipment rental and maintenance* in the Statements of Functional Expenses.

**RAINBOW ACRES**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 – OPERATING LEASES (continued)**

The minimum lease payments required under the above operating leases as of December 31, are as follows:

2021	\$11,490
2022	11,490
2023	<u>11,490</u>
	<u>\$34,470</u>

**NOTE 16 – REVENUE AND REVENUE RECOGNITION**

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. No conditional promises to give were received in 2020 or 2019.

Fees for services provided to ranchers, net of scholarships and discounts awarded, are recognized monthly as services are provided. Because services are provided on a continual basis over a period of time, revenue is recognized ratably over the month. If a rancher moves out before the end of the month, the unused portion of the fees paid is refunded, and no revenue is recognized for the days services are not provided. Funds received in advance of services provided are recorded as deferred revenue, which is listed as prepaid ranchers' fees on the Statements of Financial Position, and are recognized as revenue when services are provided.

The following table provides information about significant changes in prepaid ranchers fees, which are considered deferred revenue, for the year ended December 31, 2020:

Prepaid ranchers' fees, beginning of year	\$ 319,262
Increase in deferred revenue due to payments received in advance of services provided	3,044,626
Revenue recognized from services provided, net of scholarships and discounts	<u>(3,108,111)</u>
Prepaid ranchers' fees, end of year	<u>\$ 255,777</u>

Revenues from special events are recognized at the time of the event, and revenues received in advance of the event are deferred until the event. As of December 31, 2020, there was \$38,887 in deferred revenue for the Imagine Gala, which is scheduled to occur in October 2021.

**NOTE 17 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

While no single customer comprises greater than 10% of net revenues, 71% of gross revenue and 51% of net revenue are derived from a specific market and affected by economic events outside of its control. The Organization provides housing, care and programming to adults with developmental disabilities to help these individuals live to their fullest potential with dignity and purpose.



**RAINBOW ACRES**  
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**NOTE 17 – CURRENT VULNERABILITY (continued)**

The cost of providing these services has outpaced the ability of the market to pay full price resulting in an overall rate of 27.9% in financial assistance to Ranchers. The Organization recognizes the challenges of cost versus customers' ability and willingness to pay full price. This factor also affects the ability for the Organization to maintain full capacity of its facilities.

**NOTE 18 – IMPACT OF WORLD-WIDE PANDEMIC**

As previously noted, in March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the overall effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity. Management will continue to follow the various government policies and advice and will do their utmost to continue operations in the best and safest way possible without jeopardizing the health of any Ranchers, volunteers, or employees.

**NOTE 19 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 27, 2021, the date which the financial statements were available to be issued. As discussed in Note 10, the PPP loan obligation was forgiven in full on May 17, 2021. No other items were noted that would require disclosure in these financial statements.

As noted above, the COVID-19 pandemic developed rapidly in 2020 and has continued to evolve in 2021. Measures taken by various governments to contain the virus have affected economic activity. The United States and global markets have experienced significant fluctuations due to uncertainty caused by the world-wide coronavirus pandemic.

The extent to which the coronavirus pandemic may impact the Organization's operations, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be reasonably predicted.