

RAIN, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

RAIN, INC.
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YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
RAIN, Inc.
Charlotte, North Carolina

Report on Financial Statements

We have audited the accompanying statements of financial position of RAIN, Inc. (the "Organization") as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 audit. We conducted our audit 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 auditors' 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.

Board of Directors
RAIN, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RAIN, Inc. as of December 31, 2016 and 2015, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 18, 2017

RAIN, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 393,452	\$ 177,241
Grants Receivable	193,219	133,392
Other Receivables	67,036	26,138
Prepaid Expenses	15,710	4,884
Total Current Assets	669,417	341,655
PROPERTY AND EQUIPMENT		
Office Equipment	31,293	31,294
Accumulated Depreciation	(14,611)	(8,497)
	16,682	22,797
OTHER ASSETS		
	4,378	16,214
Total Assets	\$ 690,477	\$ 380,666
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Capital Lease Liability - Current Portion	\$ 2,485	\$ 1,413
Note Payable - Current Portion	5,000	5,000
Accounts Payable	26,104	60
Accrued Liabilities and Expenses	94,229	30,103
Total Current Liabilities	127,818	36,576
LONG-TERM LIABILITIES		
Capital Lease Liability - Less Current Portion	11,390	13,359
Note Payable - Less Current Portion	2,083	7,083
Total Long-Term Liabilities	13,473	20,442
NET ASSETS		
Unrestricted	391,050	169,564
Temporarily Restricted	158,136	154,084
Total Net Assets	549,186	323,648
Total Liabilities and Net Assets	\$ 690,477	\$ 380,666

See accompanying Notes to Financial Statements.

RAIN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
United Way	\$ 13,196	\$ 76,273	\$ 89,469
Contributions and Grants	236,911	90,000	326,911
Government Grants	268,387	-	268,387
Special Events	292,059	-	292,059
340B Program Revenue	885,590	-	885,590
In-Kind Use of Facilities	55,474	-	55,474
Other Income	21	-	21
Net Assets Released from Restrictions	162,221	(162,221)	-
Total Revenues and Support	<u>1,913,859</u>	<u>4,052</u>	<u>1,917,911</u>
 Expenses:			
Program Services	1,290,838	-	1,290,838
General and Administrative	171,542	-	171,542
Fundraising Services	229,993	-	229,993
Total Expenses	<u>1,692,373</u>	<u>-</u>	<u>1,692,373</u>
 CHANGE IN NET ASSETS	 221,486	 4,052	 225,538
Net Assets at Beginning of Year	<u>169,564</u>	<u>154,084</u>	<u>323,648</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 391,050</u></u>	 <u><u>\$ 158,136</u></u>	 <u><u>\$ 549,186</u></u>

See accompanying Notes to Financial Statements.

RAIN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
United Way	\$ 55,836	\$ 41,584	\$ 97,420
Contributions and Grants	199,386	112,500	311,886
Government Grants	244,161	-	244,161
Special Events	288,852	-	288,852
340B Program Revenue	136,040	-	136,040
In-Kind Use of Facilities	43,242	-	43,242
Other Income	556	-	556
Net Assets Released from Restrictions	48,268	(48,268)	-
Total Revenues and Support	<u>1,016,341</u>	<u>105,816</u>	<u>1,122,157</u>
 Expenses:			
Program Services	656,321	-	656,321
General and Administrative	87,130	-	87,130
Fundraising Services	241,252	-	241,252
Total Expenses	<u>984,703</u>	<u>-</u>	<u>984,703</u>
 CHANGE IN NET ASSETS	 31,638	 105,816	 137,454
Net Assets at Beginning of Year, as Originally Reported	137,926	-	137,926
Prior Period Adjustments	<u>-</u>	<u>48,268</u>	<u>48,268</u>
Beginning Net Assets, as Restated	<u>137,926</u>	<u>48,268</u>	<u>186,194</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 169,564</u>	 <u>\$ 154,084</u>	 <u>\$ 323,648</u>

See accompanying Notes to Financial Statements.

RAIN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising Services</u>	<u>Total Functional Expenses</u>
EXPENSES				
Accounting	\$ 4,791	\$ 1,065	\$ 1,065	\$ 6,921
Bank and Merchant Fees	217	964	20,855	22,036
Board Expenses	1,128	1,393	345	2,866
Contract Labor	130,304	936	21	131,261
Depreciation	4,233	941	941	6,115
Employee Benefits and Payroll Taxes	66,868	25,514	27,703	120,085
Insurance	3,872	861	861	5,594
Interest	3,301	734	734	4,769
Marketing and Development	940	845	8,894	10,679
Membership Dues and Subscriptions	247	1,213	1,291	2,751
Miscellaneous	1,615	1,711	359	3,685
Office & Equipment Expense	2,043	6,861	779	9,683
Postage and Delivery	107	1,792	1,199	3,098
Printing and Newsletters	1,959	606	1,514	4,079
Program Services	35,376	1	167	35,544
Program Supplies	554,105	286	233	554,624
Rent	54,574	2,971	536	58,081
Salaries and Compensation	330,451	101,988	115,142	547,581
Shared Services	37,763	8,392	8,391	54,546
Staff Development	958	1,774	1,321	4,053
Technology - Software and Support	-	-	27,065	27,065
Telephone	6,432	1,220	1,456	9,108
Travel	5,313	940	587	6,840
In-Kind Use of Facilities	38,405	8,534	8,534	55,473
Loss on Disposal of Assets	5,836	-	-	5,836
TOTAL EXPENSES	<u>\$ 1,290,838</u>	<u>\$ 171,542</u>	<u>\$ 229,993</u>	<u>\$ 1,692,373</u>

See accompanying Notes to Financial Statements.

RAIN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising Services</u>	<u>Total Functional Expenses</u>
EXPENSES				
Accounting	\$ 3,450	\$ 350	\$ 1,200	\$ 5,000
Bank and Merchant Fees	76	8	12,092	12,176
Board Expenses	364	29	26	419
Contract Labor	32,381	1,207	7,618	41,206
Depreciation	2,892	293	1,006	4,191
Employee Benefits and Payroll Taxes	52,251	13,891	23,521	89,663
Insurance	5,763	585	2,004	8,352
Interest	1,471	149	511	2,131
Marketing and Development	2,220	187	4,517	6,924
Meals and Entertainment	427	19	143	589
Membership Dues and Subscriptions	173	18	933	1,124
Miscellaneous	796	81	351	1,228
Office and Equipment Expense	6,075	440	1,747	8,262
Personnel Expenses	528	45	156	729
Postage and Delivery	2,666	270	933	3,869
Printing and Newsletters	35	-	139	174
Program Services	10,223	21	137	10,381
Program Supplies	102,196	16	71	102,283
Rent	38,553	3,755	13,644	55,952
Salaries and Compensation	304,647	59,590	105,265	469,502
Shared Services	43,240	2,614	8,962	54,816
Staff Development	234	24	91	349
Technology - Software and Support	1,189	40	42,281	43,510
Technology - Leases	3,333	338	1,159	4,830
Telephone	6,826	38	1,779	8,643
Travel	4,476	95	587	5,158
In-Kind Use of Facilities	29,836	3,027	10,379	43,242
TOTAL EXPENSES	<u>\$ 656,321</u>	<u>\$ 87,130</u>	<u>\$ 241,252</u>	<u>\$ 984,703</u>

See accompanying Notes to Financial Statements.

RAIN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 225,538	\$ 137,454
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	6,115	4,191
Loss on sale of Assets	5,836	-
(Increase) Decrease in Operating Assets:		
Pledges Receivable - Unrestricted	(59,827)	21,967
Receivables - Other	(40,898)	(25,708)
Prepaid Expenses	(10,826)	871
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	26,044	(9,887)
Accrued Liabilities and Expenses	64,126	28,564
Net Cash Provided by Operating Activities	216,108	157,452
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Assets	6,000	-
Net Cash Provided by Investing Activities	6,000	-
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	(897)	(376)
Repayments of Note Payable	(5,000)	(2,917)
Net Cash Used in Financing Activities	(5,897)	(3,293)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	216,211	154,159
 Cash and Cash Equivalents - Beginning of Year	177,241	23,082
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 393,452	\$ 177,241
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Property and Equipment Financed through Capital Lease Obligations	\$ -	\$ 15,148
 Cash Paid for Interest	\$ 4,769	\$ 2,132

See accompanying Notes to Financial Statements.

RAIN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

RAIN, Inc. (the "Organization") was organized in 1993 as a North Carolina voluntary, nonprofit, non-stock corporation. The purpose of the Organization is to engage in activities which are devoted to charitable, educational, and supportive purposes, including but not limited to: medical case management; peer to peer support and outreach; youth support programs; and training volunteers to provide practical support. All programs and services enhance the physical, social, emotional, and spiritual quality of life of people affected by HIV. Educational programs promote understanding and awareness through training and presentations to the general public on the psychological and spiritual impact of HIV.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. The Organization has adopted a policy to record all temporarily restricted contributions as unrestricted if the funds were utilized in the current fiscal year.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained in perpetuity by the Organization. Donors of these assets stipulate that all, or part of, the income earned on related investments be used for general or specific purposes. As of December 31, 2016 and 2015, there were no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with maturity of three months or less to be cash equivalents. Regardless of maturity, certificates of deposit are considered cash equivalents. The Organization maintains bank accounts at various financial institutions covered by the FDIC. At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit of \$250,000.

RAIN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment with a value of \$1,000 or more and with a useful life of 3 years or more is recorded at cost if purchased or fair value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense, which includes amortization of capitalized leases, is recorded using the straight-line method of depreciation over the estimated useful lives of the assets (office equipment - 5 years).

Depreciation expense was approximately \$6,000 and \$4,000 for the years ended December 31, 2016 and 2015, respectively. The total cost of items under capital leases was approximately \$15,000 as of December 31, 2016 and 2015 and total accumulated amortization of items under capital leases was approximately \$4,000 and \$1,000 as of December 31, 2016 and 2015, respectively.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are not included as support until such time as the conditions are substantially met or the likelihood of not meeting the conditions is deemed remote.

Donated Goods and Services

Donated goods and services are reflected as contributions in the financial statements at their estimated value at the time of receipt. As of December 31, 2016 and 2015, donated goods and services consisted of office space rent received at a reduced rate.

During the years ended December 31, 2016 and 2015, the Organization received occupancy rent credits in the amount of approximately \$55,000 and \$43,000, respectively, from its landlord, Children and Family Services Center, Inc. (the "Center"). These credits are approved by the Center on an annual basis, and are recorded as in-kind revenue and expense in the period in which they are received. Because there are numerous factors used in determining the rental rates each period, the Organization is unable to estimate the amount of below market rent for future periods. Accordingly, no receivable has been recorded in the accompanying statements of financial position for below market rents.

In addition, volunteers, including officers and directors of the Organization, donate their time in program services and/or fundraising. No amount has been reflected in the financial statements for these services as they generally do not meet the criteria for revenue recognition.

RAIN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

GAAP requires an organization to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. Management believes the Organization has no uncertain tax positions as of December 31, 2016 and 2015.

Functional Allocation of Expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 18, 2017, the date the financial statements were available to be issued.

NOTE 2 GRANTS RECEIVABLE

Grants receivable are shown at estimated realizable value. Management considers all receivables to be collectible; therefore, no allowance for doubtful accounts has been provided. All outstanding amounts are expected to be collected within the next year. Grants receivable consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Mecklenburg County - Ryan White	\$ 65,793	\$ 9,476
The University of North Carolina at Chapel Hill - HRSA	22,445	22,331
Epic Allies	15,444	-
Shelter	1,400	-
United Way of Central Carolinas	38,137	41,585
Elton John	50,000	-
Viiv	-	45,000
AIDS United	-	15,000
	\$ 193,219	\$ 133,392

RAIN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
United Way Allocation for the Subsequent Year	\$ 38,136	\$ 41,584
Grants for the Subsequent Year	-	30,000
Client Services	<u>120,000</u>	<u>82,500</u>
	<u>\$ 158,136</u>	<u>\$ 154,084</u>

NOTE 4 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended December 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Time Restrictions:		
United Way	\$ 79,721	\$ 33,378
Contributions and Grants	<u>82,500</u>	<u>14,890</u>
Total Net Assets Released from Restrictions	<u>\$ 162,221</u>	<u>\$ 48,268</u>

NOTE 5 NOTE PAYABLE

The note payable consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note Payable to a Service Organization, Non-Interest Bearing, Monthly Payments of \$417 from June 1, 2015 through May 1, 2018.	\$ 7,083	\$ 12,083
Less: Current Maturities	<u>5,000</u>	<u>5,000</u>
	<u>\$ 2,083</u>	<u>\$ 7,083</u>

Future maturities of long-term debt are as follows:

<u>December 31,</u>	<u>Amount</u>
2017	\$ 5,000
2018	<u>2,083</u>
	<u>\$ 7,083</u>

RAIN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LINE OF CREDIT

The Organization has a line of credit with a financial institution in the amount of \$60,000. There was no outstanding balance as of December 31, 2016 and 2015. Interest accrues at the bank's prime rate plus 0.39% per year (3.5% at December 31, 2016). The line of credit matures on September 22, 2018.

NOTE 7 LEASE AGREEMENTS

Operating Leases

The Organization entered into a lease agreement for office space with Children and Family Services Center, Inc. effective October 31, 2014, which expires on August 31, 2023. Total lease expense was \$72,104 and \$69,058 for the years ended December 31, 2016 and 2015, respectively. The Organization has operating leases for office equipment and software under certain non-cancellable operating leases. The future minimum lease expense for all lease agreements is as follows:

December 31,	Amount
2017	\$ 78,285
2018	78,285
2019	78,285
2020	77,770

Capital Lease

The Organization leases office equipment under a capital lease obligation. Future minimum lease payments under capital lease obligations subsequent to December 31, 2016 are as follows:

December 31,	Amount
2017	\$ 2,485
2018	2,745
2019	3,826
2020	4,819
Total	13,875
Less: Current Portion of Capital Lease Obligation	(2,485)
	\$ 11,390

NOTE 8 COLLABORATIVE SERVICES

The Organization participates in a collaboration agreement with the Center and several other nonprofit agencies located in the Building to share financial and human resource functions. The collaboration will continue through the termination of the Organization's Center lease. If the Organization renews its Center lease, the collaboration agreement will be automatically extended for a period coterminous with the lease.

RAIN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 RETIREMENT PLAN

The Organization has a retirement plan that allows all eligible employees the opportunity to make voluntary contributions through a salary reduction. The Organization makes a matching contribution of the participating employee's contribution limited to 3% of their salary during 2016. The Organization's matching contributions for the years ended December 31, 2016 and 2015 was \$7,220 and \$6,580, respectively.

NOTE 10 PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2015, management determined that temporarily restricted net assets as of December 31, 2014 were understated due to not recording certain temporarily restricted grants receivable. The beginning temporarily restricted net assets as of December 31, 2014 have been restated by \$48,268 to reflect this adjustment. This amount can be seen as a prior period adjustment on the December 31, 2015 Statement of Activities.