

**RAINBOW RAILROAD**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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## **Independent Auditor's Report**

To the Members and Board of Directors of Rainbow Railroad

### **Qualified Opinion**

We have audited the financial statements of Rainbow Railroad (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Qualified Opinion**

The Organization receives revenues from event ticket sales, fundraising activities and other contributions, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts reported by the Organization. Therefore, we are not able to determine whether, as at and for the year ended December 31, 2019, any adjustments might be necessary to revenues and excess of revenues over expenses reported in the statement of operations and net assets, or to assets and net assets reported in the statement of financial position. This same matter caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Organization to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Organization.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Organization.

## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Organization to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario  
May 19, 2020

Chartered Professional Accountants  
Licensed Public Accountants

**RAINBOW RAILROAD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

	<b>2019</b>	2018
<b>ASSETS</b>		
Current assets		
Cash	\$ 376,941	\$ 220,231
Investments <i>(note 3)</i>	14,096	-
Accounts receivable	294,504	253,026
Prepaid expenses	17,955	7,966
	<b>703,496</b>	481,223
Capital assets <i>(note 4)</i>	67,354	94,750
	<b>770,850</b>	575,973
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	84,651	150,954
Deferred contributions <i>(note 5)</i>	42,945	35,036
	<b>127,596</b>	185,990
Net assets	643,254	389,983
	<b>\$ 770,850</b>	\$ 575,973

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

\_\_\_\_\_, Director \_\_\_\_\_, Director

# RAINBOW RAILROAD

## STATEMENT OF OPERATIONS AND NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Revenues		
Donations - general	\$ 2,019,720	\$ 1,264,696
Donations - major gifts (note 6)	859,593	1,007,275
Grants	-	202,307
Fundraising events	76,363	28,349
Other contributions (note 5)	78,203	125,955
Other revenue	790	4,135
	<b>3,034,669</b>	2,632,717
Expenses		
Programs	2,068,849	2,299,678
Fundraising	608,445	363,805
Operating and administrative	104,104	89,925
	<b>2,781,398</b>	2,753,408
Excess (deficiency) of revenues over expenses for the year	<b>253,271</b>	(120,691)
Net assets - at beginning of year	<b>389,983</b>	510,674
Net assets - at end of year	<b>\$ 643,254</b>	\$ 389,983

The accompanying notes are an integral part of these financial statements

# RAINBOW RAILROAD

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 253,271	\$ (120,691)
Add back items not affecting cash flows		
Amortization	37,023	22,571
Unrealized gain on investments	(326)	-
Net changes in non-cash operating working capital balances		
Accounts receivable	(41,478)	(150,195)
Prepaid expenses	(9,989)	(5,502)
Accounts payable and accrued liabilities	(66,303)	73,059
Deferred contributions	7,909	(92,455)
	<b>180,107</b>	<b>(273,213)</b>
Cash flows from investing activity		
Purchase of capital assets	(9,627)	(87,024)
Purchase of investments	(13,770)	-
	<b>(23,397)</b>	<b>(87,024)</b>
Change in cash during the year	<b>156,710</b>	<b>(360,237)</b>
Cash - at beginning of year	<b>220,231</b>	<b>580,468</b>
Cash - at end of year	<b>\$ 376,941</b>	<b>\$ 220,231</b>

The accompanying notes are an integral part of these financial statements

# RAINBOW RAILROAD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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Rainbow Railroad (the "Organization") is an international organization with the mandate to help lesbian, gay, bisexual, transgender, queer and intersex (LGBTQI) individuals seek a safe haven from state sponsored or enabled violence by providing them with assistance in the form of information and emergency funding for travel and accommodation. The Organization was incorporated on February 19, 2013 under the Canada Not-for-Profit Corporations Act without share capital. The Organization is a registered charity under the Income Tax Act (Canada) and accordingly, is exempt from income taxes.

### *1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below.

#### *Revenue Recognition*

The Organization follows the deferral method of accounting for contributions. Contributions include donations and grants. Unrestricted contributions are recorded as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenditures are incurred.

Fundraising events income is recognized as revenue when the event takes place. All events are general fundraising events.

Investment income is recognized as income when earned and is comprised of interest, dividends and distributions, realized gains and losses from investment transactions and unrealized holding gains and losses related to investments.

#### *Financial Instruments*

##### *(i) Measurement of financial instruments*

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable and accounts payable and accrued liabilities.

##### *(ii) Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income.

# RAINBOW RAILROAD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### *I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

#### *Financial Instruments (continued)*

##### *(ii) Impairment (continued)*

The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment. The amount of the reversal is recognized in income in the period that the reversal occurs.

#### *Investments*

Investments quoted in an active market are recorded at fair value. The quoted market price of investments is used to estimate fair value. Unrealized holding gains and losses related to investments are included in investment income.

#### *Contributed Services*

Volunteers have contributed time and services to assist the Organization in the delivery of its services and other activities. Because of the difficulty of determining their fair market value, contributed services provided to the Organization are not recognized in the financial statements.

#### *Donations-In-Kind*

Recognition is recorded in the financial statements to donations-in-kind that are used in the normal course of business when a reasonable estimate of value can be made. The Organization received in-kind donations from third parties in the year in an amount of \$NIL (2018 - \$51,216).

#### *Allocation of Expenses*

The Organization incurs general and administrative support services that are common to the administration of the Organization and its programs. These costs include salaries and benefits, rent and other administrative expenses. The Organization allocates these expenses based on utilized time as follows:

Fundraising	-	34%
Programs	-	57%
Operating and administration	-	9%

# RAINBOW RAILROAD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### *1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

#### *Capital Assets*

The costs of capital assets are capitalized upon meeting the criteria for recognition as capital assets, otherwise, costs are expensed as incurred. The cost of capital assets comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets is measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided for, upon the commencement of the utilization of the assets, using methods and rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Computer software	-	3 years straight line
Furniture and equipment	-	5 years straight line
Computer hardware	-	3 years straight line
Leasehold improvements	-	straight line over the term of lease

Capital assets is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital assets to its fair value. Any impairment of capital assets is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital assets subsequently increases.

#### *Foreign Currency Translation*

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year end. Revenues and expenses are translated from foreign currencies to Canadian dollars at the rate of exchange prevailing on the transaction date. Any resulting gains or losses are included in income for the year.

#### *Use of Estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information available as of the date of issuance of the financial statements. Actual results may differ materially from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

# RAINBOW RAILROAD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 2. FINANCIAL INSTRUMENT RISK MANAGEMENT

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Organization's financial instruments.

#### *Credit Risk*

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization's main credit risks relate to accounts receivable. Management monitors the collection process closely and provides a provision when collection is in doubt. Management has included a \$NIL (2018 - \$NIL) provision for doubtful accounts receivable in these financial statements.

#### *Liquidity Risk*

Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Organization expects to meet these obligations as they come due by generating sufficient cash flow from operations.

#### *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Organization is not exposed to significant interest rate risk.

#### *Currency risk*

Currency risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Organization by a customer, or that an obligation in a foreign currency was entered into by the Organization to a supplier, is different at the time of settlement than it was at time that the obligation originated. As at December 31, 2019, accounts receivable of \$14,350 (2018 - \$132,090) are denominated in foreign currencies and converted into Canadian dollars. Foreign exchange gains and losses are included in net income.

#### *Other Price Risk*

The Organization is exposed to other price risk, which is the potential loss that the Organization may incur with respect to the changes in fair value of investments. The fair value of investments will fluctuate because of changes in market price whether those changes are caused by factors specific to the individual investments, or its issuers or factors affecting all similar investments traded in the market. The Organization is not exposed to significant other price risk.

#### *Change in Risk*

The Organization's exposure to other price risk increased from that of the prior year.

# RAINBOW RAILROAD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

### 3. INVESTMENTS

Details of investments in marketable securities recorded at fair value are as follows:

	2019	2018
Cash held by broker	\$ 8	\$ -
Canadian equities	12,040	-
Foreign equities	2,048	-
Total investments	14,096	-

### 4. CAPITAL ASSETS

Details of capital assets are as follows:

2019	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ 7,666	\$ 7,666	\$ -
Furniture and equipment	36,641	14,675	21,966
Computer hardware	30,291	17,109	13,182
Leasehold improvements	59,952	27,746	32,206
Balance - at end of year	\$ 134,550	\$ 67,196	\$ 67,354

2018	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ 7,666	\$ 6,392	\$ 1,274
Furniture and equipment	36,004	7,410	28,594
Computer hardware	24,983	7,892	17,091
Leasehold improvements	56,270	8,479	47,791
Balance - at end of year	\$ 124,923	\$ 30,173	\$ 94,750

Total amortization expense for the year was \$37,023 (2018 - \$22,571) which is included in operating and administrative expenses.

# RAINBOW RAILROAD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 5. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted funding received that is related to a subsequent period. Changes in the deferred contributions balance are as follows:

	<i>2019</i>	<i>2018</i>
Balance - at beginning of year	\$ 35,036	\$ 127,491
Amounts received during the year:		
Private Sponsorship	43,908	33,500
BVOR Sponsorship	23,996	-
	<b>67,904</b>	33,500
Add amounts in contributions receivable:		
Private Sponsorship	9,758	-
BVOR Sponsorship	8,450	-
	<b>18,208</b>	-
Less amounts recognized as revenue:		
Private Sponsorship	41,775	30,821
BVOR Sponsorship	36,428	-
Elton John AIDS Foundation	-	95,134
	<b>78,203</b>	125,955
Balance - at end of year	\$ 42,945	\$ 35,036

# RAINBOW RAILROAD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 6. RELATED PARTY TRANSACTIONS

The Organization's Board of Directors includes all of the members of the Board of Directors from its affiliated entity, Rainbow Railroad USA Inc. The Organization receives contributions from Rainbow Railroad USA Inc. for programming and administrative work. All transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The following summarizes the Organization's related party balances and transactions:

<b>Statement of Financial Position</b>	<b>2019</b>	<b>2018</b>
Current assets		
Accounts receivable	\$ -	\$ 93,152
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,071	\$ -
<b>Statement of Operations</b>	<b>2019</b>	<b>2018</b>
Revenues		
Donations - major gifts	\$ 805,717	\$ 775,275

### 7. LEASE COMMITMENT

The Organization has entered into a lease for office premises which expires on July 31, 2022. The annual minimum lease payments are as follows:

2020	\$30,744
2021	\$18,226

### 8. SUBSEQUENT EVENT

Subsequent to the year end, the global pandemic of the virus known as COVID-19 led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing, and closing nonessential businesses. These measures have temporarily reduced certain operations of the Organization. The Organization continues to provide support through its programs despite restrictions placed on international travel. Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the financial effect on the Organization. No adjustments have been made in the financial statements for these events.

**HILBORN**

LISTENERS. THINKERS. DOERS.