

**RAINBOW RAILROAD**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Members and Board of Directors of  
Rainbow Railroad

We have audited the accompanying financial statements of Rainbow Railroad, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 qualified audit opinion.

### Basis for Qualified Opinion

Rainbow Railroad 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 Rainbow Railroad. Therefore, we are not able to determine whether, as at and for the year ended December 31, 2017, 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, 2016.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Rainbow Railroad as at December 31, 2017 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.

### Report on Other Legal and Regulatory Requirements

In accordance with the Canada Not-for-Profit Corporations Act, we report that the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



Toronto, Ontario  
July 17, 2018

Chartered Professional Accountants  
Licensed Public Accountants

**RAINBOW RAILROAD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**

	2017	2016
<b>ASSETS</b>		
Current assets		
Cash	\$ 580,468	\$ 445,444
Accounts receivable	102,831	120,431
Prepaid expenses	2,464	2,403
	<u>685,763</u>	<u>568,278</u>
Capital assets (note 2)	30,297	6,388
	<u>716,060</u>	<u>574,666</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	77,895	9,492
Deferred contributions (note 3)	127,491	209,222
	<u>205,386</u>	<u>218,714</u>
Net assets	510,674	355,952
	<u>\$ 716,060</u>	<u>\$ 574,666</u>

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, 2017

	2017	2016
Revenues		
Donations - general	\$ 989,946	\$ 268,992
Donations - major gifts	723,784	8,082
Grants	104,069	513,082
Fundraising events	39,862	65,495
Amortization of deferred capital contributions (note 3)	180,765	-
Other revenue	642	83
	<u>2,039,068</u>	<u>855,734</u>
Expenses		
Programs	1,415,984	547,758
Fundraising	327,715	61,178
Operating and administrative	140,647	48,104
	<u>1,884,346</u>	<u>657,040</u>
Excess of revenues over expenses for the year	154,722	198,694
Net assets - at beginning of year	355,952	157,258
Net assets - at end of year	<u>\$ 510,674</u>	<u>\$ 355,952</u>

The accompanying notes are an integral part of these financial statements

**RAINBOW RAILROAD**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 154,722	\$ 198,694
Add back items not affecting cash flows		
Depreciation	6,324	1,278
Net changes in non-cash operating working capital balances		
Accounts receivables	17,600	(64,880)
Prepaid expenses	(61)	(1,404)
Accounts payable and accrued liabilities	68,403	1,802
Deferred contributions	(81,731)	75,778
	<u>165,257</u>	<u>211,268</u>
Cash flows from investing activity		
Purchase of capital assets	(30,233)	(7,666)
Change in cash during the year	<u>135,024</u>	<u>203,602</u>
Cash - at beginning of year	445,444	241,842
Cash - at end of year	<u>\$ 580,468</u>	<u>\$ 445,444</u>

The accompanying notes are an integral part of these financial statements

# RAINBOW RAILROAD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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Rainbow Railroad (the "Organization") is a not-for-profit organization created to support lesbian, gay, bisexual and transgender (LGBT) people as they seek safe haven from state enabled violence by providing them with assistance in the form of information and emergency funding for travel and accommodation. Rainbow Railroad 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 using Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### *Revenue Recognition*

Rainbow Railroad 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.

#### *Contributed Services*

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

#### *Donations-In-Kind*

Recognition is given 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. Rainbow Railroad received Aeroplan points towards travel during the year whose value was not readily determinable during the year, and therefore, have not been recognized in the financial statements.

#### *Allocation of Expenses*

Rainbow Railroad 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. Rainbow Railroad allocates these expenses based on utilized time as follows:

Fundraising	-	30%
Programs	-	40%
Operating and administration	-	30%

**RAINBOW RAILROAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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

*Capital Assets*

Capital assets are comprised of computer software which is recorded at cost and depreciated over 3 years on a straight line basis.

The above rate is reviewed annually to ensure it is still appropriate. Any changes are adjusted on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount.

*Financial Assets and Liabilities*

Rainbow Railroad initially measures its financial assets and liabilities at fair value. Rainbow Railroad subsequently measures all its financial assets and financial liabilities at amortized cost.

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

*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 estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these and other estimates, the impact of which would be recorded in future affected periods.

**2. CAPITAL ASSETS**

Details of capital assets are as follows:

<i>2017</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
Computer software	\$ 7,666	\$ 3,833	\$ 3,833
Furniture and equipment	19,050	1,905	17,145
IT software	11,183	1,864	9,319
<b>Balance - at end of year</b>	<b>\$ 37,899</b>	<b>\$ 7,602</b>	<b>\$ 30,297</b>

**RAINBOW RAILROAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

2. *CAPITAL ASSETS (continued)*

<i>2016</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
Computer software	\$ 7,666	\$ 1,278	\$ 6,388

Total depreciation expense for the year was \$6,324 (2016 - \$1,278) which is included in operating and administrative expenses.

The Organization received in-kind donations of furniture and equipment from third parties in the year in an amount of \$6,172 (2016 - \$NIL).

3. *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>2017</i>	<i>2016</i>
Balance - at beginning of year	\$ 209,222	\$ 133,444
Amounts received during the year:		
Pride and Remembrance	-	51,750
Elton John AIDS Foundation	95,134	100,350
Private Sponsorship	3,900	31,399
	<b>99,034</b>	<b>183,499</b>
Less amounts recognized as revenue:		
Foundation of Hope	-	7,500
Unifor	-	10,000
Pride and Remembrance	51,750	-
All Aboard Campaign	313	8,081
Private Sponsorship	28,352	26,722
Elton John AIDS Foundation	100,350	55,418
	<b>180,765</b>	<b>107,721</b>
Balance - at end of year	<b>\$ 127,491</b>	<b>\$ 209,222</b>

4. *LEASE COMMITMENT*

Rainbow Railroad has entered into a lease for office premises which expires on February 28, 2018. The minimum rental payment for the remaining period in the 2018 fiscal year is \$6,970.



**RAINBOW RAILROAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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*5. FINANCIAL INSTRUMENTS AND RISK EXPOSURE*

Rainbow Railroad is exposed to various risks through its financial instruments. The following analysis provides a measure of Rainbow Railroad's risk exposure at the statement of financial position date.

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Rainbow Railroad's main credit risks relate to accounts receivable. Management monitors the collection progress closely and provides provisions when collection is in doubt. Management has included a SNIL (SNIL - 2016) provision for doubtful accounts receivable in these financial statements.

*Liquidity Risk*

Liquidity risk is the risk that Rainbow Railroad will encounter difficulty in meeting obligations associated with financial liabilities. Rainbow Railroad is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and lease commitments. Rainbow Railroad 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 comprises three types of risk: currency risk, interest rate risk and other price risk. Rainbow Railroad is not exposed to significant currency, interest rate or other price risks.

*Change in Risk*

There have been no significant changes in the risk profile of Rainbow Railroad's financial instruments from that of the prior year.