RAINBOW RAILROAD

FINANCIAL STATEMENTS

DECEMBER 31, 2025

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Members and Board of Directors of Rainbow Railroad

Opinion

We have audited the financial statements of Rainbow Railroad (the "Organization"), which comprise the statement of financial position as at December 31, 2025, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2025, 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 Opinion

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 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.

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Independent Auditor's Report (continued)

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

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.
- 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.

Hilborn LLP

Toronto, Ontario
June 19, 2026

Chartered Professional Accountants
Licensed Public Accountants

RAINBOW RAILROAD

Statement of Financial Position

December 31	2025 $	2024 $
ASSETS		
Current assets		
Cash	**916,242**	979,583
Investments (note 3)	**75,951**	40,647
Accounts receivable (note 7)	**1,073,314**	216,358
Contributions receivable (note 4)	**293,006**	496,527
Prepaid expenses	**156,065**	97,409
	2,514,578	1,830,524
Long-term assets		
Capital assets (note 5)	**129,168**	163,869
	2,643,746	1,994,393
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**120,294**	252,460
Deferred contributions (note 6)	**275,714**	222,258
	396,008	474,718
NET ASSETS		
Unrestricted net assets	**2,247,738**	1,519,675
	2,643,746	1,994,393

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Caleb Goodman
Director

Director Shreya Shah

RAINBOW RAILROAD

Statement of Operations and Net Assets

Year ended December 31	2025 $	2024 $
Revenues		
Donations - general	**6,634,278**	5,400,852
Donations - major gifts (note 7)	**1,670,832**	1,620,175
Fundraising events	**188,819**	268,648
Grants	**2,054,790**	1,452,874
Other contributions	**8,258**	43,307
Investment income	**44,188**	3,242
	10,601,165	8,789,098
Expenses		
Programs	**7,420,047**	6,038,945
Fundraising	**1,597,021**	1,553,139
Operating and administrative (note 5)	**856,034**	1,095,728
	9,873,102	8,687,812
Excess of revenues over expenses for the year	**728,063**	101,286
Net assets - at beginning of year	**1,519,675**	1,418,389
Net assets - at end of year	**2,247,738**	1,519,675

The accompanying notes are an integral part of these financial statements

RAINBOW RAILROAD

Statement of Cash Flows

Year ended December 31	2025 $	2024 $
Cash flows from operating activities		
Excess of revenues over expenses for the year	**728,063**	101,286
Add back items not affecting cash flows		
Amortization	**67,687**	118,833
Unrealized loss on investments	**299**	44
Realized loss (gain) on investments	**(13,979)**	33
	782,070	220,196
Net changes in non-cash working capital balances		
Accounts receivable	**(856,956)**	152,756
Contributions receivable	**203,521**	(345,234)
Prepaid expenses	**(58,656)**	20,824
Accounts payable and accrued liabilities	**(132,166)**	23,299
Deferred contributions	**53,456**	222,258
	(8,731)	294,099
Cash flows from investing activities		
Purchase of capital assets	**(32,986)**	(20,122)
Purchase of investments	**(233,676)**	(67,343)
Proceeds from sale of investments	**212,052**	241,909
	(54,610)	154,444
Change in cash during the year	**(63,341)**	448,543
Cash - at beginning of year	**979,583**	531,040
Cash - at end of year	**916,242**	979,583
Cash consists of:		
Cash	**827,494**	746,826
Restricted cash	**88,748**	232,757
	916,242	979,583

The accompanying notes are an integral part of these financial statements

December 31, 2025

Nature of operations

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. **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. Losses are recorded as direct reductions in net assets on the statement of operations and arise from transactions aside from the scope of regular operating activities.

(a) **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.

Government assistance is recognized when the related expenses are incurred.

(b) **Financial instruments**

(i) **Measurement of financial instruments**

The Organization initially measures its financial assets and financial liabilities, except for related party financial instruments, 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.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Operations.

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

1. **Significant accounting policies (continued)**

(b) **Financial instruments (continued)**

(ii) **Related Party Financial Instruments**

The Organization initially measures its related party financial instruments at cost, determined using the amount of consideration transferred or received, if the financial instrument does not have repayment terms.

Subsequently, all related party financial instruments are measured at cost less impairment.

(iii) **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.

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.

(c) **Cash**

Cash is made up of unrestricted cash and restricted cash of $88,748 (2024 - $232,757) which is restricted for use on a grant project.

(d) **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.

(e) **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.

1. **Significant accounting policies (continued)**

(f) **Donations in-kind**

Recognition of donations in-kind are recorded in the financial statements 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 the amount of $763,332 (2024 - $342,123) of which $210,916 (2024 - $67,254) were in-kind share donations.

(g) **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	-	17%
Programs	-	70%
Operating and administration	-	13%

(h) **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.

1. **Significant accounting policies (continued)**

(i) **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.

(j) **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.

(k) **Related parties**

For the purposes of these financial statements, a party is considered to be related to the Organization if such party or the Organization has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Organization and such party are subject to common significant influence. Related parties may be individuals or other entities.

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 (2024 - $NIL) provision for doubtful accounts receivable in these financial statements.

2. **Financial instrument risk management (continued)**

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.

i) **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, 2025, accounts receivable of $719,091 CAD (2024 - $NIL CAD), accounts payable of $NIL CAD (2024 - $140,297 CAD) and investments of $63,330 CAD (2024 - $12,709 CAD) are denominated in foreign currencies and converted into Canadian dollars. Foreign exchange gains and losses are included in net income.

ii) **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 on its investments in equities.

Changes in risk

There have been no significant changes in the Organization's risk exposure from that of the prior year.

3. **Investments**

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

	2025 $	2024 $
Cash held by broker	16,997	34
Equities	58,954	30,768
Mutual funds	-	9,845
Total investments	75,951	40,647

4. **Contributions receivable**

Contributions receivable represent restricted funding to be received that is related to the current period. Changes in the balance of contributions receivable are as follows:

	2025 $	2024 $
Balance - at beginning of year	496,527	151,293
Amounts received during the year:		
Equitas - International Centre for Human Rights Education	(108,255)	(77,519)
Women and Gender Equality Canada	(340,732)	(218,832)
Foreign, Commonwealth & Development Office	(113,937)	(249,685)
Minister of Immigration, Refugees and Citizenship	(766,815)	(322,271)
	(1,329,739)	(868,307)
Add amounts recognized as revenue:		
Equitas - International Centre for Human Rights Education	23,791	10,690
Women and Gender Equality Canada	271,294	317,805
Foreign, Commonwealth & Development Office	-	363,622
Minister of Immigration, Refugees and Citizenship	831,133	521,424
	1,126,218	1,213,541
Balance - at end of year	293,006	496,527

Details of contributions receivable are as follows:

	2025 $	2024 $
Equitas - International Centre for Human Rights Education	-	84,464
Women and Gender Equality Canada	29,535	98,973
Foreign, Commonwealth & Development Office	-	113,936
Minister of Immigration, Refugees and Citizenship	263,471	199,154
	293,006	496,527

5. **Capital assets**

Details of capital assets are as follows:

	2025		
	Cost $	**Accumulated Amortization $**	**Net Book Value $**
Furniture and equipment	133,400	96,517	36,883
Computer hardware	177,047	136,978	40,069
Leasehold improvements	246,603	194,387	52,216
	557,050	427,882	129,168

	2024		
	Cost $	**Accumulated Amortization $**	**Net Book Value $**
Furniture and equipment	127,367	78,839	48,528
Computer hardware	150,094	107,374	42,720
Leasehold improvements	246,603	173,982	72,621
	524,064	360,195	163,869

Total amortization expense for the year was $67,687 (2024 - $118,833) which is included in operating and administrative expenses.

December 31, 2025

6. Deferred contributions

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

	2025 $	2024 $
Balance - at beginning of year	222,258	-
Amounts received during the year:		
Foreign, Commonwealth & Development Office	575,730	-
DECIEM Inc.	200,000	-
Global Affairs Canada	210,364	465,000
	986,094	465,000
Less amounts recognized as revenue:		
Foreign, Commonwealth & Development Office	549,754	-
Global Affairs Canada	382,884	242,742
	932,638	242,742
Balance - at end of year	275,714	222,258

Details of deferred contributions are as follows:

	2025 $	2024 $
Foreign, Commonwealth & Development Office	25,976	-
DECIEM Inc.	200,000	-
Global Affairs Canada	49,738	222,258
	275,714	222,258

7. **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.

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

Statement of Financial Position	**2025 $**	**2024 $**
Current assets		
Accounts receivable	719,091	-
Current liabilities		
Accounts payable and accrued liabilities	-	140,297

Statement of Operations	**2025 $**	**2024 $**
Revenues		
Donations - major gifts	1,570,820	1,462,371

8. **Lease commitments**

The Organization has entered into leases for office premises which expire between January 31, 2026 to November 30, 2028.

The annual minimum lease payments for the next three years are as follows:

	$
2026	182,033
2027	184,234
2028	157,952
	524,219

9. **Termination benefits**

During the fiscal year ended December 31, 2025, the Organization entered into settlement agreements with former employees, which resulted in the payment of statutory termination benefits and related costs in the amount of $71,675 (2024 - $55,722).

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