Rainbow Railroad USA, Inc.

Financial Statements

December 31, 2025 and 2024

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Rainbow Railroad USA, Inc.

Opinion

We have audited the accompanying financial statements of Rainbow Railroad USA, Inc., which comprise the statements of financial position as of December 31, 2025 and 2024 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Railroad USA, Inc. as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rainbow Railroad USA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainbow Railroad USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

PKF O'CONNOR DAVIES, LLP
245 Park Avenue, New York, NY 10167 I Tel: 212.867.8000 or 212.286.2600 I Fax: 212.286.4080 I www.pkfod.com

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- 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 Rainbow Railroad USA, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainbow Railroad USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

April 20, 2026

Rainbow Railroad USA, Inc.

Statements of Financial Position

	December 31	
	2025	2024
ASSETS		
Cash and cash equivalents	$ 3,165,586	$ 2,768,019
Contributions receivable (due within one year)	86,953	149,381
Accrued income	34,109	-
Investments	108	108
Due from parent	-	102,428
Prepaid expenses	27,685	49,589
Equipment, net	5,769	9,126
	$ 3,320,210	$ 3,078,651
LIABILITIES AND NET ASSETS		
Liabilities		
Due to parent	$ 522,200	$ -
Accrued payroll and expenses	41,865	65,041
Total Liabilities	564,065	65,041
Net Assets		
Without donor restrictions		
Undesignated	856,450	1,113,915
Board designated fund	1,899,695	1,899,695
Total Net Assets	2,756,145	3,013,610
	$ 3,320,210	$ 3,078,651

See notes to financial statements

Rainbow Railroad USA, Inc.

Statements of Activities

	Year Ended December 31					
	2025			2024		
	Without Donor Restrictions			Without Donor Restrictions		
	Undesignated	Board Designated Fund	Total	Undesignated	Board Designated Fund	Total
REVENUE AND SUPPORT						
Contributions	$ 3,051,787	$ -	$ 3,051,787	$ 2,331,680	$ -	$ 2,331,680
Special events revenue, net of direct expenses of $10,374 and $12,767	258,237	-	258,237	63,429	-	63,429
Dividend and interest income	83,879	-	83,879	112,605	-	112,605
In-kind contributions	24,129	-	24,129	39,323	-	39,323
Bequests	273,036	-	273,036	375,000	-	375,000
Other revenue	-	-	-	1,000	-	1,000
Total Revenue and Support	3,691,068	-	3,691,068	2,923,037	-	2,923,037
EXPENSES						
Program services	2,914,416	-	2,914,416	2,875,057	-	2,875,057
Fundraising	850,261	-	850,261	738,814	-	738,814
General and administrative	183,856	-	183,856	162,752	-	162,752
Total Expenses	3,948,533	-	3,948,533	3,776,623	-	3,776,623
Change in Net Assets Before Other Changes	(257,465)	-	(257,465)	(853,586)	-	(853,586)
OTHER CHANGES						
Net asset transfer from other not-for-profit entity	-	-	-	91,800	-	91,800
Forgiveness of PPP loan	-	-	-	33,844	-	33,844
Board designated fund release	-	-	-	1,000,000	(1,000,000)	-
Total Other Changes	-	-	-	1,125,644	(1,000,000)	125,644
Change in Net Assets	(257,465)	-	(257,465)	272,058	(1,000,000)	(727,942)
NET ASSETS						
Beginning of year	1,113,915	1,899,695	3,013,610	841,857	2,899,695	3,741,552
End of year	$ 856,450	$ 1,899,695	$ 2,756,145	$ 1,113,915	$ 1,899,695	$ 3,013,610

See notes to financial statements

Rainbow Railroad USA, Inc.

Statements of Functional Expenses

	Year Ended December 31							
	2025				2024			
	Program Services	Fundraising	General and Administrative	Total	Program Services	Fundraising	General and Administrative	Total
PERSONNEL COSTS								
Salaries, payroll taxes and benefits	$ 680,303	$ 272,121	$ -	$ 952,424	$ 744,287	$ 124,048	$ -	$ 868,335
OTHER THAN PERSONNEL COSTS								
Professional fees	-	401,709	37,294	439,003	15,043	206,268	42,510	263,821
Rent expense	14,686	5,874	-	20,560	16,889	2,815	-	19,704
Office expenses	35,998	61,637	121,816	219,451	62,173	171,431	100,663	334,267
Event expenses	10,122	15,149	-	25,271	26,707	14,179	-	40,886
Travel	22,985	61,514	18,542	103,041	85,037	87,037	5,733	177,807
Advertising	-	41,931	-	41,931	-	33,449	4,346	37,795
Grant expenses	1,151,533	-	-	1,151,533	1,085,611	-	-	1,085,611
Depreciation	-	-	4,131	4,131	-	-	3,740	3,740
In-kind contributions	24,129	-	-	24,129	1,210	32,353	5,760	39,323
Programmatic support and advocacy	971,810	-	-	971,810	821,935	76,291	-	898,226
Honorariums and relationship development	2,850	700	2,073	5,623	16,165	3,710	-	19,875
	2,914,416	860,635	183,856	3,958,907	2,875,057	751,581	162,752	3,789,390
Less special event direct expenses	-	(10,374)	-	(10,374)	-	(12,767)	-	(12,767)
	$ 2,914,416	$ 850,261	$ 183,856	$ 3,948,533	$ 2,875,057	$ 738,814	$ 162,752	$ 3,776,623

See notes to financial statements

Rainbow Railroad USA, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (257,465)	$ (727,942)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	4,131	3,740
Forgiveness of PPP loan	-	(33,844)
Changes in operating assets and liabilities		
Contributions receivable	62,428	13,249
Due from parent	102,428	(102,428)
Prepaid expenses	21,904	(16,899)
Due to parent	522,200	(19,089)
Accrued income	(34,109)	-
Accrued payroll and expenses	(23,176)	(78,637)
Net Cash from Operating Activities	398,341	(961,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment acquisitions	(774)	(7,639)
Change in Cash and Cash Equivalents	397,567	(969,489)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,768,019	3,737,508
End of year	$ 3,165,586	$ 2,768,019

See notes to financial statements

1. Nature of the Organization and Tax Status

Rainbow Railroad USA, Inc. (the “Organization”) was formed on September 1, 2015. Rainbow Railroad USA, Inc. is an organization whose mission is to provide support to individuals facing persecution in countries that criminalize individuals because of their sexual orientation or gender identity. The Organization does this through the emergency travel support program that helps people facing immediate danger to find safe haven.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and has been classified by the Internal Revenue Service as an organization that is not a private foundation as defined under Section 509(a)(1) of the IRC.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which 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 revenue and expense during the reported period. Actual results could differ from those estimates.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those funds having no restriction as to use or purpose imposed by donors. The Board Designated Fund is a component of net assets without donor restrictions and has been created by an action of the Organization’s Board of Directors. The balance was established from an unrestricted contribution received in 2022. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, when restrictions on donor restricted contributions are met in the same accounting period in which they are received, such amounts are reported as net assets without donor restrictions. The Organization does not have any net assets with donor restrictions as of December 31, 2025 and 2024.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

2. Summary of Significant Accounting Policies *(continued)*

Contributions Receivable and Allowance for Doubtful Accounts

Contributions receivable are expected to be collected in one year. An allowance for uncollectible contributions is provided based on management's evaluation of potential uncollectible contributions receivable at year end. The Organization has considered a number of factors in evaluating this allowance including the economy and past payment history. As of December 31, 2025 and 2024, the Organization does not believe an allowance for doubtful accounts should be established.

Investment Valuation

Investments consist of cash held at cost, which approximates fair value.

Equipment

Items capitalized as part of equipment are stated at cost if purchased, or fair value if contributed. Depreciation is provided over an estimated useful life of 5 years and is computed utilizing the straight-line method.

Contributions

Contributions are recorded as net assets with donor restrictions and revenue and support if they are received with donor-imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions that are received and expended in the same period are reported as without donor restrictions.

Bequests

The Organization recognizes bequests in the year in which the promise to give becomes unconditional, which is the year in which the probate court declares the will valid and the proceeds are measurable in amount.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded when declared. Realized and unrealized gains and losses are included in the determination of the change in net assets.

2. Summary of Significant Accounting Policies *(continued)*

In-Kind Contributions

The Organization recognizes the fair value of in-kind contributions which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements.

In-kind contributions consist of items and services received by the Organization. These amounts are recorded as both revenue and expense at their estimated fair values using similar rates and services to those contributed at the date of receipt. In-kind contributions consist of the following for the years ended December 31:

	2025	2024
Discounted services	$ 10,233	$ 9,570
Event donations	13,896	4,619
Advertising	-	25,134
	$ 24,129	$ 39,323

Allocation of Expenses

The Organization reports its expenses for providing programs and certain costs for supporting services by their functional classification on a summarized basis in the statements of activities. Program services are the activities that result in services being provided to the public pursuant to the Organization’s mission. Supporting expenses are classified as general and administrative activities which include oversight and business management but exclude direct conduct of program services and fundraising activities. Fundraising activities include developing and maintaining relations with major donors, foundations, organizations and potential donors.

Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense Classification	Method of Allocation
Salaries, payroll taxes and benefits	Time and effort
Office expenses	Time and effort
Travel	Time and effort
Professional fees, rent, advertising and other expenses	Based on effort and as determined by management to be appropriate

2. Summary of Significant Accounting Policies *(continued)*

Operating Leases

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right of use assets and lease liabilities on the statements of financial position. Lease liabilities represent the obligation to make lease payments arising from the lease measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right of use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of twelve months or less on the statements of financial position. The expense on such leases is recognized on a straight-line basis over the lease term.

Advertising

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2025 and 2024 were $41,931 and $37,795.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is subject to examinations by applicable taxing jurisdictions for all periods since December 31, 2022.

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 20, 2026.

3. Concentration of Credit Risk

The credit risks of the Organization arise from cash and cash equivalents and contributions receivable. The Organization maintains balances with a financial institution which, at times, may exceed the Federal Deposit Insurance Corporation insurance limits. There was an uninsured portion of this balance of approximately $2,887,000 and $2,030,000 at December 31, 2025 and 2024. Contributions receivable is expected to be collected in the normal course of operations.

The Organization earned approximately 83% and 80% of its revenue from contribution revenue for the years ended December 31, 2025 and 2024.

4. Equipment

Equipment consists of the following at December 31:

	2025	2024
Equipment	$ 16,012	$ 15,238
Accumulated depreciation	(10,243)	(6,112)
	$ 5,769	$ 9,126

5. Related Party Transactions (Not Disclosed Elsewhere)

All members of the Organization's Board of Directors are also members of the parent company, Rainbow Railroad Canada, Inc. (the "Parent"), who provides staff to the Organization for certain administrative work. The Organization incurred grant expenses in the amounts of $1,151,533 and $1,085,611 to Rainbow Railroad Canada, Inc. for the years ended December 31, 2025 and 2024. At December 31, 2025, the Organization owed Rainbow Railroad Canada, Inc. $522,200. At December 31, 2024, amounts due from Rainbow Railroad Canada, Inc. were $102,428.

6. Paycheck Protection Program Loan

On May 6, 2020, the Organization received loan proceeds in the amount of $16,922 under the Paycheck Protection Program (the "PPP"). The Organization then received additional PPP loan proceeds of $16,922 on April 2, 2021. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts of 2.5 times the 2019 or 2020 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two or five years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA").

In September 2024, the PPP loans totaling $33,844 were approved for forgiveness by the SBA and the Organization recognized the forgiveness of PPP loan in the 2024 statement of activities.

7. Special Events Revenue

The Organization records gross receipts from special fundraising events that consist of exchange transaction revenue and contribution revenue. For the years ended December 31, 2025 and 2024, the Organization's special fundraising events revenue consist of the following:

	2025	2024
Contributions revenue	$ 247,446	$ 54,540
Special events exchange transaction revenue	21,165	21,656
Special events revenue, gross	$ 268,611	$ 76,196

8. Commitments

During June 2023, the Organization signed a new short-term eleven-month lease agreement through May 31, 2024. The lease agreement is approximately $2,000 per month for use and maintenance and does not allow for cancellation prior to the end of the lease term. This lease agreement was renewed during the year through June 30, 2025. In 2025, the lease was renewed to June 30, 2026.

9. Liquidity and Availability of Financial Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows at December 31:

	2025	2024
Financial Assets		
Cash and cash equivalents	$ 3,165,586	$ 2,768,019
Contributions receivable (due within one year)	86,953	149,381
Accrued income	34,109	-
Investments	108	108
Due from parent	-	102,428
Total Financial Assets	3,286,756	3,019,936
Less:		
Board designated net assets	(1,899,695)	(1,899,695)
Financial Assets Available to Meet Cash Needs for General Expenditures Cost Held One Year	$ 1,387,061	$ 1,120,241

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, to help manage unanticipated liquidity needs, the Organization relies on its parent company, Rainbow Railroad Canada, Inc. for financing and other support. Rainbow Railroad Canada, Inc. has the resources to meet this need if necessary.

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