

RAINBOW RESOURCE CENTRE INC.

FINANCIAL STATEMENTS

MARCH 31, 2023



CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Rainbow Resource Centre Inc.:

Opinion

We have audited the accompanying financial statements of Rainbow Resource Centre Inc. (the Centre), which comprise the statement of financial position as at March 31, 2023, the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2023, and its operations and 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 Centre 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 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.

In preparing the financial statements, management is responsible for assessing the Centre's ability 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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre's financial reporting process.

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 these 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 Centre's internal control.
- 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 Centre's ability 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 Centre 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.

DRAFT

Chartered Professional Accountants
August 15, 2023
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

RAINBOW RESOURCE CENTRE INC.
STATEMENT OF FINANCIAL POSITION

		March 31	
		2023	2022
ASSETS			
Current assets:			
Cash		\$ 636,596	\$ 237,090
Term deposits (Note 3)		12,142	48,961
Accounts receivable		80,977	19,679
GST recoverable		6,727	3,382
Prepaid expenses		40,237	14,112
		776,679	323,224
Term deposits (Note 3)		-	161,016
Capital assets (Note 4)		1,562,214	84,319
		\$ 2,338,893	\$ 568,559
LIABILITIES			
Current liabilities:			
Accounts payable		\$ 61,795	\$ 38,361
Deferred contributions (Note 5)		764,921	211,997
Loans payable (Note 6)		927,343	-
		1,754,059	250,358
Canada Emergency Business Account (Note 7)		40,000	40,000
Deferred contributions for capital assets (Note 8)		261,063	66,300
		2,055,122	356,658
NET ASSETS			
Net assets invested in capital assets		373,808	18,019
Internally restricted net assets (Note 12)		20,000	20,000
Unrestricted net assets		(110,037)	173,882
		283,771	211,901
		\$ 2,338,893	\$ 568,559

APPROVED BY THE BOARD:

_____ **Director**

_____ **Director**

RAINBOW RESOURCE CENTRE INC.

STATEMENT OF OPERATIONS

	Year ended March 31	
	2023	2022
Revenues:		
Core funding-		
City of Winnipeg	\$ -	\$ 3,795
Manitoba Health	425,900	425,900
Manitoba Department of Education	75,000	79,381
Manitoba Families	5,000	5,000
WRHA - Manitoba Healthy Living	8,256	8,256
MB Health Living & Seniors	71,726	-
United Way of Winnipeg	76,527	85,832
	662,409	608,164
Other funding-		
Winnipeg Foundation	59,002	13,000
Government of Canada - WAGE	127,144	90,446
Human Resources and Skills Development Canada	-	3,750
United Way - ESDC Covid	72,015	3,750
Royal Bank Foundation	10,000	-
Lount Foundation	12,241	-
Miscellaneous	53,988	77,755
	334,390	188,701
	996,799	796,865
Amortization of deferred contributions for capital assets (Note 8)	37,737	26,837
Donations	200,388	204,031
Fundraising	175,627	3,707
Workshop revenue	64,873	65,785
Interest	7,103	4,473
Special events	41,326	58,533
Rent	47,632	1,950
Consultations	2,877	37,624
Government assistance (Note 11)	-	10,000
	1,574,362	1,209,805
Expenses:		
Salaries and professional fees	1,033,334	938,062
Program, administration, and fundraising (Schedule A)	443,949	246,175
Amortization	25,209	34,884
	1,502,492	1,219,121
Difference between revenues and expenses	\$ 71,870	\$ (9,316)

RAINBOW RESOURCE CENTRE INC.
STATEMENT OF CHANGES IN NET ASSETS

	<u>Invested in capital assets</u>	<u>Internally restricted</u> (Note 12)	<u>Unrestricted</u>	<u>Year ended March 31</u>	
				<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 18,019	\$ 20,000	\$ 173,882	\$ 211,901	\$ 221,217
Purchase of capital assets	1,539,506	-	(1,539,506)	-	-
Contributions related to capital assets	(232,500)	-	232,500	-	-
Proceeds of loans payable related to capital assets	(950,000)	-	950,000	-	-
Repayment of loans payable	22,657	-	(22,657)	-	-
Difference between revenues and expenses	<u>(23,874)</u>	<u>-</u>	<u>95,744</u>	<u>71,870</u>	<u>(9,316)</u>
Balance, end of year	<u>\$ 373,808</u>	<u>\$ 20,000</u>	<u>\$ (110,037)</u>	<u>\$ 283,771</u>	<u>\$ 211,901</u>

RAINBOW RESOURCE CENTRE INC.

STATEMENT OF CASH FLOWS

	Year ended March 31	
	2023	2022
Cash flow from operating activities:		
Cash from government and other core funding	\$ 1,410,096	\$ 502,617
Cash from patrons, donors and others	847,310	575,473
Cash paid to suppliers and employees	(1,443,572)	(1,178,262)
	813,834	(100,172)
Cash flows from financing activities:		
Proceeds from Canada Emergency Business Account	-	10,000
Proceeds from loans payable	950,000	-
Repayment of loans payable	(22,657)	-
	927,343	10,000
Cash flow from investing activities:		
Change in term deposits	197,835	(3,913)
Purchase of capital assets	(1,539,506)	-
	(1,341,671)	(3,913)
Change in cash	399,506	(94,085)
Cash, beginning of year	237,090	331,175
Cash, end of year	\$ 636,596	\$ 237,090

RAINBOW RESOURCE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

1. Nature of organization:

The Rainbow Resource Centre Inc. is incorporated under the laws of Manitoba as a not-for-profit organization and is a registered charity under the Income Tax Act. The Centre provides resources to the gay, lesbian, bisexual, transgender and two-spirit communities.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

a) Critical accounting estimates and judgements-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

Capital assets are amortized over the estimated useful life of the asset as follows:

Computer equipment	55% declining balance
Equipment and furniture	20% declining balance
Leasehold improvements	straight line over 10 years
545 Broadway building	straight line over 35 years

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

2. Significant accounting policies (continued):

c) Recognition of donation revenue-

Revenue from donations and fund-raising is recognized as income in the period designated by the donor or, if no designation is made, when received. Due to the Covid-19 pandemic, no gala fundraising event was held during the year ended March 31, 2022.

d) Other revenue-

Grants from core and other funders are reported as receivable at their estimated realizable value at the earlier of the date awarded or the fiscal period to which they relate. Revenue from grants is recognized using the deferral method and is recognized as income in the period designated by the grantor, which is normally the period when the expenses to which the grant relates are incurred. Deferred contributions represent funds received which are designated by the grantor to fund future expenses. Donated materials and services are recorded at fair market value. Rental income is recognized in revenue when earned. Workshops and Special events are recognized at the time services are rendered. Volunteer time is not recognized in the financial statements because of the difficulty of determining fair value. Interest is recognized on a time recognition basis.

e) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Centre may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative effect of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Centre measures cash, term deposits, accounts receivable, accounts payable, loans payable and Canada Emergency Business Account at amortized cost.

The Centre assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

3. Term deposits:

Term deposit matures on August 2023 (2022 - April 2022 and December 2023) and bear interest at rate 4.00% (2022 - 1.10% and 1.95%).

4. Capital assets:

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 694,127	\$ -	\$ -	\$ -
Buildings	426,978	6,099	-	-
Computer equipment	118,369	107,162	109,968	98,597
Equipment and furniture	42,637	34,188	42,637	32,076
Leasehold improvements	42,367	24,815	123,260	60,873
Assets under development	410,000	-	-	-
	<u>\$ 1,734,478</u>	<u>\$ 172,264</u>	<u>\$ 275,865</u>	<u>\$ 191,546</u>
Net book value	<u>\$ 1,562,214</u>		<u>\$ 84,319</u>	

5. Deferred contributions:

Deferred contributions consist of funding for ongoing programs.

	2023	2022
Balance, beginning of year	\$ 211,997	\$ 300,706
Add: amounts received during the year	1,997,581	915,238
Less: amounts recognized as revenue	<u>(1,444,657)</u>	<u>(1,003,947)</u>
Balance, end of year	<u>\$ 764,921</u>	<u>\$ 211,997</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

6. Loans payable:

	<u>2023</u>	<u>2022</u>
Commercial mortgage guarantee demand loan bearing interest at 3.95% per annum, repayable by monthly blended payments of \$4,980. Loan is secured by land and building. The loan matures July 1, 2027.	\$ 803,543	\$ -
Jubilee Fund guaranteed demand loan bearing interest at prime plus 2.00% per annum, repayable in monthly blended payments of \$1,110. Loan is secured by land and building. The loan matures July 1, 2032.	<u>123,800</u>	<u>-</u>
	<u>\$ 927,343</u>	<u>\$ -</u>

Scheduled principal payments are:

2024	\$ 31,186
2025	32,574
2026	34,030
2027	35,558
2028	686,092
Thereafter	<u>107,903</u>
	<u>\$ 927,343</u>

7. Canada Emergency Business Account:

	<u>2023</u>	<u>2022</u>
Canada Emergency Business Account loan payable, interest free until December 31, 2023. From January 1, 2024 to December 31, 2025 loan will bear interest at 5%. If at least \$40,000 is repaid by December 31, 2023 the remaining \$20,000 will be forgiven. Loan matures December 31, 2025.	\$ 60,000	\$ 60,000
Forgivable portion of the loan	<u>(20,000)</u>	<u>(20,000)</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

8. Deferred contributions related to capital assets:

Deferred contributions are being amortized using the straight-line method over the same period as the capital asset is being amortized

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 66,300	\$ 93,137
Add: amounts received during the year	232,500	-
Less: amounts recognized as revenue	<u>(37,737)</u>	<u>(26,837)</u>
Balance, end of year	<u>\$ 261,063</u>	<u>\$ 66,300</u>

9. Risk management and fair values:

Management's risk management policies are typically performed as a part of the overall management of the Centre's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its activity, the Centre is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Centre has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Centre, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Interest rate risk-

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as interest rate cash flow risk, or on the fair value of other financial assets or liabilities, known as interest rate price risk. Fixed income investments with fixed interest rates minimize cash flow risk. Obtaining loans payable with variable interest rates minimized interest rate price risk. Obtaining loans payable with fixed interest rates minimizes interest rate cash flow risk.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Centre has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Centre also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. There is \$801 (2022 - \$nil) of bad debt recorded during the year ended March 31, 2023.

10. Lease commitments:

Lease commitments for 170 Scott St. require the following payments for the fiscal year ended March 31:

2024	\$ 39,743
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

11. Government assistance:

For the year ended March 31, 2022 the Centre applied for the Canada Emergency Business Account (Note 7). The \$10,000 forgivable portion of the loan has been included in government assistance.

12. Restricted net assets:

The Board has established an internally restricted fund of \$20,000, \$10,000 of which is to sustain the workshops created by the Breaking Barriers in health care and social services projects and \$10,000 is to establish a building fund. The funds cannot be used for other purposes unless the Board of Directors decides otherwise.

RAINBOW RESOURCE CENTRE INC.

SCHEDULE A

SCHEDULE OF ADMINISTRATION AND FUNDRAISING EXPENSES

	Year ended March 31	
	2023	2022
Bank charges and interest	\$ 9,713	\$ 5,862
Bad debt expenses	801	-
Computer support	35,702	21,403
Equipment rental	45,730	394
Fundraising	505	171
Insurance	9,480	5,415
Interest on loans	33,696	-
Library and reference material	743	623
Loss on disposal of capital assets	36,402	-
Meals and catering	28,184	6,149
Office	38,729	17,237
Professional development	4,451	8,613
Program and event expenses	7,620	2,522
Property Taxes	5,458	-
Publicity and promotion	33,522	29,172
Rent	99,328	125,038
Repairs and maintenance	20,142	11,617
Security	623	-
Subscriptions and dues	527	12
Telephone and internet	4,325	3,939
Travel	12,443	568
Utilities	15,803	7,440
Volunteer recognition	22	-
	<u>\$ 443,949</u>	<u>\$ 246,175</u>

RAINBOW RESOURCE CENTRE INC.

SCHEDULE B

STATEMENT OF OPERATIONS BY PILLARS

				Year ended March 31	
	Advocacy	Service	Space	2023	2022
Revenues:					
Core funding-					
City of Winnipeg	\$ -	\$ -	\$ -	\$ -	\$ 3,795
Manitoba Health	52,733	310,782	62,385	425,900	425,900
Manitoba Department of Education	68,851	6,149	-	75,000	79,381
Manitoba Families	-	5,000	-	5,000	5,000
WRHA - Manitoba Healthy Living	-	8,256	-	8,256	8,256
MB Health Living & Seniors	-	71,726	-	71,726	-
United Way of Winnipeg	-	76,527	-	76,527	85,832
	<u>121,584</u>	<u>478,440</u>	<u>62,385</u>	<u>662,409</u>	<u>608,164</u>
Other funding-					
Winnipeg Foundation	-	50,250	8,752	59,002	13,000
Government of Canada - WAGE	-	-	127,144	127,144	90,446
Human Resources and Skills Development Canada	-	-	-	-	3,750
United Way - ESDC Covid	-	-	72,015	72,015	3,750
Royal Bank Foundation	10,000	-	-	10,000	-
Lount Foundation	-	12,241	-	12,241	-
Miscellaneous	-	17,035	36,953	53,988	77,755
	<u>10,000</u>	<u>79,526</u>	<u>244,864</u>	<u>334,390</u>	<u>188,701</u>
	<u>131,584</u>	<u>557,966</u>	<u>307,249</u>	<u>996,799</u>	<u>796,865</u>
Amortization of deferred contributions for capital assets	136	632	36,969	37,737	26,837
Donations	7,863	23,446	169,079	200,388	204,031
Fundraising	-	5,000	170,627	175,627	3,707
Workshop revenue	48,942	1,273	14,658	64,873	65,785
Interest	-	362	6,741	7,103	4,473
Special events	-	39,371	1,955	41,326	58,533
Rent	-	-	47,632	47,632	1,950
Consultations	2,877	-	-	2,877	37,624
Government assistance	-	-	-	-	10,000
	<u>191,402</u>	<u>628,050</u>	<u>754,909</u>	<u>1,574,362</u>	<u>1,209,805</u>
Expenses:					
Salaries and professional fees	132,330	459,182	441,821	1,033,334	938,062
Program, administration, and fundraising	58,836	166,496	218,617	443,949	246,175
Amortization	299	2,372	22,538	25,209	34,884
	<u>191,465</u>	<u>628,050</u>	<u>682,976</u>	<u>1,502,492</u>	<u>1,219,121</u>
Difference between revenues and expenses	\$ <u>(63)</u>	\$ <u>-</u>	\$ <u>71,934</u>	\$ <u>71,870</u>	\$ <u>(9,316)</u>