RAINBOW RESOURCE CENTRE INC.

FINANCIAL STATEMENTS

MARCH 31, 2021

June 17, 2021

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, 2021, 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, 2021, 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.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Canada

RAINBOW RESOURCE CENTRE INC.

STATEMENT OF FINANCIAL POSITION

	March 31 2021	March 31 2020
ASSETS		
Current assets:		
Cash	$ 331,175	$ 199,431
Term deposits (Note 3)	206,064	201,581
Accounts receivable	2,126	42,329
GST recoverable	4,767	6,036
Prepaid expenses	11,687	19,660
	555,819	469,037
Capital assets (Note 4)	119,203	110,226
	$ 675,022	$ 579,263
LIABILITIES		
Current liabilities:		
Accounts payable	$ 29,962	$ 54,933
Deferred contributions	300,706	193,203
Due to Enchante Network	-	45,446
	330,668	293,582
Canada Emergency Business Account (Note 5)	30,000	-
Deferred contributions for capital assets (Note 6)	93,137	77,343
	453,805	370,925
NET ASSETS		
Net assets invested in capital assets	61,066	32,883
Internally restricted net assets (Note 10)	20,000	20,000
Unrestricted net assets	140,151	155,455
	221,217	208,338
	$ 675,022	$ 579,263

APPROVED BY THE BOARD:

________________________ **Director**

________________________ **Director**

RAINBOW RESOURCE CENTRE INC.

STATEMENT OF OPERATIONS

	Year ended March 31	
	2021	2020
Revenues:		
Core funding-		
City of Winnipeg	$ 5,750	$ -
Manitoba Health	402,768	449,263
Manitoba Department of Education	83,295	83,188
Manitoba Families	5,000	5,000
WRHA - Manitoba Healthy Living	8,256	8,256
United Way of Winnipeg	63,703	80,376
	568,772	626,083
Other funding-		
Winnipeg Foundation	43,870	29,629
Carolyn Sifton Foundation	14,448	5,538
Government of Canada - Ottawa Summit	-	10,058
Government of Canada - WAGE	8,046	-
Human Resources and Skills Development Canada	3,665	7,138
WCWRC - IIRC	-	25,954
Tegan and Sara	3,229	6,458
United Way - ESDC Covid	50,000	-
Miscellaneous	19,317	675
	142,575	85,450
	711,347	711,533
Amortization of deferred contributions (Note 6)	19,206	12,036
Donations	198,028	103,327
Enchante Network funding (Schedule B)	-	321,893
Fundraising	-	6,240
Workshop recovery	27,742	13,653
Interest	4,975	5,594
Memberships	-	85
Special events	35,403	125,692
Government assistance (Note 9)	24,222	-
	1,020,923	1,300,053
Expenses:		
Salaries and professional fees	766,774	754,107
Program, administration, and fundraising (Schedule A)	214,903	292,952
Amortization	26,367	20,393
Enchante Network expense (Schedule B)	-	321,893
	1,008,044	1,389,345
Difference between revenues and expenses	$ 12,879	$ (89,292)

RAINBOW RESOURCE CENTRE INC.

STATEMENT OF CHANGES IN NET ASSETS

	Invested in capital assets	Internally restricted (Note 10)	Unrestricted	Year ended March 31 2021	2020
Balance, beginning of year	$ 32,883	$ 20,000	$ 155,455	$ 208,338	$ 297,630
Purchase of capital assets	35,344	-	(35,344)	-	-
Difference between revenues and expenses	(7,161)	-	20,040	12,879	(89,292)
Balance, end of year	$ 61,066	$ 20,000	$ 140,151	$ 221,217	$ 208,338

RAINBOW RESOURCE CENTRE INC.

STATEMENT OF CASH FLOWS

	Year ended March 31	
	2021	**2020**
Cash flow from operating activities:		
Cash from government and other core funding	$ 716,452	$ 667,616
Cash from patrons, donors and others	388,450	824,196
Cash paid to suppliers and employees	(998,675)	(1,402,686)
	106,227	89,126
Cash flows from financing activities:		
Proceeds from Canada Emergency Business Account	30,000	-
Cash flow from investing activities:		
Change in term deposits	(4,483)	(4,693)
Contributions received to purchase capital assets	35,344	10,478
Purchase of capital assets	(35,344)	(40,279)
	(4,483)	(34,494)
Change in cash	131,744	54,632
Cash, beginning of year	199,431	144,799
Cash, end of year	$ 331,175	$ 199,431

RAINBOW RESOURCE CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

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

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.

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. Membership dues are recognized as 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, due to Enchante Network, 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.

3. Term deposits:

Terms deposits mature between November 2021 and April 2022 (2020 – April 2020 and December 2020) and bear interest at rates between 1.4% and 2.3% (2020 – 2.25% and 2.5%).

4. Capital assets:

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	$ 109,968	$ 78,831	$ 74,624	$ 68,242
Equipment and furniture	42,637	29,436	42,637	26,135
Leasehold improvements	123,260	48,395	123,260	35,918
	$ 275,865	$ 156,662	$ 240,521	$ 130,295
Net book value	$ 119,203		$ 110,226	

5. Canada Emergency Business Account

	March 31 2021	2020
Canada Emergency Business Account loan payable, interest free until December 31, 2022. From January 1, 2023 to December 31, 2025 loan will bear interest at 5%. If at least $30,000 is repaid by December 31, 2022 the remaining 25% will be forgiven. Loan matures December 31, 2025.	$ 40,000	$ -
Forgivable portion of the loan	(10,000)	-
	$ 30,000	$ -

6. Deferred contributions related to capital assets:

Deferred contributions were reduced by amortization of $19,206 (2020 - $12,036). Deferred contributions are being amortized using the straight-line method over the same period as the capital asset is being amortized.

7. 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.

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 was no bad debt recorded during the March 31, 2021 and 2020 years.

8. Lease commitments:

Lease commitments require the following payments for the fiscal years ended March 31:

2022	$ 124,157
2023	42,190

During the year, the organization received a reduction in rent of $5,491 due to the impact of Covid-19. This has been recorded as a reduction of the rent expense recognized during the year

9. Government assistance:

The Centre applied for the Canada Emergency Wage Subsidy and Canada Temporary Wage Subsidy relating to salaries paid during the year ended March 31, 2021. A wage subsidy of $4,222 has been recorded in the financial statements as government assistance, and $14,291 as a reduction to salary expense.

The Centre applied for the Manitoba Bridge Grant from the Province of Manitoba. The $10,000 of funding has been included in government assistance.

The Centre applied for the Canada Emergency Business Account (Note 5). The $10,000 forgivable portion of the loan has been included in government assistance.

10. 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.

11. Comparative figures

Certain of the comparative figures have been reclassified to conform with current year presentation.

12. Covid-19:

The outbreak of the novel strain of coronavirus (“COVID-19”), has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Subsequent to March 31, 2021, governments have continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Centre in future periods.

RAINBOW RESOURCE CENTRE INC.

SCHEDULE A

SCHEDULE OF ADMINSTRATION AND FUNDRAISING EXPENSES

	Year ended March 31	
	2021	**2020**
Bank charges and interest	$ 4,109	$ 5,385
Computer support	20,226	15,768
Equipment rental	-	2,487
Fundraising	416	4,870
Insurance	5,706	4,679
Library and reference material	383	1,417
Meals and catering	7,912	23,429
Office	14,119	19,107
Professional development	4,848	9,697
Program and event expenses	3,950	10,846
Publicity and promotion	9,237	24,368
Rent	118,793	122,990
Repairs and maintenance	8,485	16,198
Subscriptions and dues	1,874	1,939
Telephone and internet	6,272	4,458
Travel	1,819	18,575
Utilities	6,697	6,660
Volunteer recognition	57	79
	$ 214,903	$ 292,952

RAINBOW RESOURCE CENTRE INC.

SCHEDULE B

SCHEDULE OF PROGRAM - ENCHANTE NETWORK

	Year ended March 31	
	2021	**2020**
Revenues	$ -	$ 321,893
Expenses:		
Bank charges and interest	-	173
Computer support	-	2,239
Honorariums	-	3,350
Office	-	17,503
Professional development	-	3,940
Professional fees	-	67,828
Program and event expenses	-	79,224
Rent	-	10,750
Salaries and benefits	-	101,518
Telephone and internet	-	1,166
Travel	-	34,202
	-	321,893
Difference between revenue and expenses	$ -	$ -