

ARCANE HORIZON INC.
FINANCIAL STATEMENTS
MARCH 31, 2026

INDEPENDENT AUDITOR'S REPORT

To the Members of the Arcane Horizon Inc.:

Opinion

We have audited the financial statements of Arcane Horizon Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2026, and the statement of operations, statement of changes in net assets and statement of 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 March 31, 2026, and its financial performance 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 Organization 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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization 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 Organization 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 Organizations 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 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.

Scarrow & Donald LLP

Chartered Professional Accountants
September 23, 2026
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.

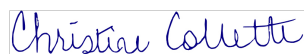
ARCANE HORIZON INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31

	<u>2025</u>	<u>2026</u>
ASSETS		
Current assets:		
Cash	\$ 870,039	\$ 818,263
Accounts receivable	135,982	344,196
Prepaid expenses and deposits	<u>29,748</u>	<u>30,311</u>
	1,035,769	1,192,770
Capital assets (Note 3)	<u>2,612,137</u>	<u>2,167,007</u>
	<u><u>\$ 3,647,906</u></u>	<u><u>\$ 3,359,777</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 806,440	\$ 981,801
Principal due within one year on long-term debt (Note 4)	<u>135,473</u>	<u>129,160</u>
	941,913	1,110,961
Long-term debt (Note 4)	830,069	622,288
Deferred contributions related to capital assets (Note 5)	<u>76,459</u>	<u>85,868</u>
	1,848,441	1,819,117
NET ASSETS		
Net assets invested in capital assets	1,570,136	1,329,691
Social fund (Note 6)	7,436	7,436
Unrestricted net assets	<u>221,893</u>	<u>203,533</u>
	<u>1,799,465</u>	<u>1,540,660</u>
	<u><u>\$ 3,647,906</u></u>	<u><u>\$ 3,359,777</u></u>

APPROVED BY THE BOARD:



Director



Director

ARCANE HORIZON INC.
STATEMENT OF OPERATIONS

	Year ended March 31	
	2026	2025
Revenue:		
Province of Manitoba (Note 7, Note 8)	\$ 11,423,143	\$ 11,113,848
Winnipeg Regional Health Authority	76,075	86,728
Employment income assistance	52,800	57,120
Donations and fundraising	20,738	55,570
Interest	1,189	1,697
Rental income	17,301	17,211
Amortization of deferred contributions (Note 5)	9,409	9,409
Resident contributions	11,935	12,590
Miscellaneous	5,841	73,502
	<u>11,618,431</u>	<u>11,427,675</u>
Expenditures:		
Advertising	928	2,034
Amortization	148,542	122,166
Allowable surplus	-	23,194
Bad debts	46,543	
Bank charges	1,884	4,880
Board training	1,070	1,178
Food	203,215	203,380
Foster care	337,728	338,218
Fundraising	3,257	15,753
Furniture	62,163	34,320
Household supplies	45,145	47,501
Insurance	49,609	43,911
Interest on long-term debt	38,029	24,473
Loss on disposal	44,085	-
Medical supplies	1,314	3,699
Miscellaneous	13,185	9,224
Office supplies	33,214	25,971
Payroll processing fees	43,070	41,891
Professional fees	64,770	8,883
Program support	36,460	24,093
Property taxes	50,222	47,974
Recreation	16,018	16,686
Recruitment	189,433	85,482
Rent	326,277	327,312
Repairs and maintenance	223,396	174,765
Staff development	47,960	116,680
Transportation	227,512	232,006
Utilities	175,135	153,437
Wages and employee benefits	8,929,462	9,101,979
	<u>11,359,626</u>	<u>11,231,090</u>
Difference between revenue and expenditures	\$ 258,805	\$ 196,585

ARCANE HORIZON INC.

STATEMENT OF CHANGES IN NET ASSETS

	<u>Invested in capital assets</u>	<u>Social fund</u>	<u>Unrestricted</u>	<u>Year ended March 31 2026</u>	<u>2025</u>
Balance, beginning of year	\$ 1,329,691	\$ 7,436	\$ 203,533	\$ 1,540,660	\$ 1,344,075
Difference between revenue and expenditures	(183,218)	-	442,023	258,805	196,585
Purchase of capital assets	637,757	-	(637,757)	-	-
Increase in long-term debt	(339,592)	-	339,592	-	-
Repayment of long-term debt	<u>125,498</u>	<u>-</u>	<u>(125,498)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u><u>1,570,136</u></u>	\$ <u><u>7,436</u></u>	\$ <u><u>221,893</u></u>	\$ <u><u>1,799,465</u></u>	\$ <u><u>1,540,660</u></u>

ARCANE HORIZON INC.
STATEMENT OF CASH FLOWS

	Year ended March 31	
	2026	2025
Cash flow from operating activities:		
Cash from funders and others	\$ 11,817,236	\$ 11,284,456
Cash paid to suppliers and employees	(11,303,768)	(10,907,928)
Interest paid	(38,029)	(24,473)
	475,439	352,055
Cash flow from investing activities:		
Purchase of capital assets	(637,757)	(243,956)
Cash flow from financing activities:		
Repayment of long-term debt	214,094	(125,405)
Change in cash	51,776	(17,306)
Cash, beginning of year	818,263	835,569
Cash, end of year	<u>\$ 870,039</u>	<u>\$ 818,263</u>

ARCANE HORIZON INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

1. General:

Arcane Horizon Inc. is incorporated under the laws of the Province of Manitoba. The purpose of the Organization is to provide housing and other support to individuals labeled with a mental disability in their own homes within the community. The Organization is a non-profit corporation and is exempt from income taxes under Section 149(1)(l) of the Income Tax Act.

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.

The financial statements include the following significant accounting policies:

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) Financial instruments-

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.

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 of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash, accounts receivable, accounts payable and long-term debt at amortized cost.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

2. Significant accounting policies (continued):

b) Financial instruments (continued)-

The Organization assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current earnings.

c) Revenue recognition-

Arcane Horizon Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest income is recognized on a time proportion basis. Rental income is recognized on an accrual basis according to the rental contract, as the services are provided and collectability is reasonably assured. Miscellaneous contributions are recognized in the year the related expense is incurred.

d) 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 date of 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 conditions indicate a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or 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. Amortization of capital assets has been provided using the following methods and rates which will amortize the cost of the assets over their estimated useful lives once they are ready for use, as follows:

Building	Straight-line over 25 years
Computer equipment	Straight-line over 3 years
Equipment and furniture	Straight-line over 5 years
Leaseholds	Straight-line over life of lease

e) Contributed services:

Volunteers contribute many hours per year to assist Arcane Horizon Inc. in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

3. Capital assets:

	March 31			
	2026		2025	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Building	\$ 3,454,824	\$ 1,510,978	\$ 2,931,627	\$ 1,421,486
Computer equipment	216,963	203,249	212,492	192,220
Equipment and furniture	653,391	538,014	641,952	504,559
Leaseholds	49,062	9,420	327,818	264,502
Land	499,558	-	435,885	-
	<u>\$ 4,873,798</u>	<u>\$ 2,261,661</u>	<u>\$ 4,549,774</u>	<u>\$ 2,382,767</u>
Net book value	\$ <u>2,612,137</u>		\$ <u>2,167,007</u>	

4. Long-term debt:

	2026	2025
Mortgage payable Assiniboine Credit Union, payable in monthly instalments of \$12,490 including interest at 4.19% due April 2030.	\$ 630,974	\$ 751,448
Mortgage payable Assiniboine Credit Union, payable in monthly instalments of \$1,794 including interest at 3.990% due March 2030.	334,568	-
Principal included in current liabilities	<u>135,473</u>	<u>129,160</u>
	<u>\$ 830,069</u>	<u>\$ 622,288</u>

Long-term debt is secured by assignment of insurance, a registered general security agreement, and capital assets.

Principal payments due are as follows:

2027	\$ 135,472
2028	141,182
2029	147,309
2030	240,049
2031	289,401

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

5. Deferred contributions related to capital assets:

	<u>2026</u>	<u>2025</u>
Balance, beginning of year	\$ 85,868	\$ 95,277
Amortized to revenue	<u>(9,409)</u>	<u>(9,409)</u>
Balance, end of year	\$ <u>76,459</u>	\$ <u>85,868</u>

6. Social fund:

The Board of Directors for Arcane Horizon Inc. passed a motion on 21 July, 2015 formalizing an approved historical practice of making the net proceeds from certain fundraising activities, identified by the board, available for use by the individuals the agency supports. These funds will be identified as internally restricted fund held in the agency fundraising accounts.

7. Province of Manitoba:

The breakdown of revenue from the Province of Manitoba is as follows:

	<u>2026</u>	<u>2025</u>
Residential services	\$ 10,845,723	\$ 10,476,356
Crisis services	18,147	75,088
Day services - regular rate	74,688	82,815
Transportation	14,895	16,445
Payroll tax rebate	163,145	171,824
Pension/benefit funding	<u>306,545</u>	<u>291,320</u>
	\$ <u>11,423,143</u>	\$ <u>11,113,848</u>

8. Province of Manitoba:

	<u>March 31</u>	
	<u>2026</u>	<u>2025</u>
Funding received, per Department of Finance confirmation	\$ 11,423,679	\$ 11,134,606
Reconciling items		
Other reconciling items	<u>(536)</u>	<u>(20,758)</u>
Amount recognized as revenue	\$ <u>11,423,143</u>	\$ <u>11,113,848</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

9. Lease commitments:

The Organization leases premises. Lease commitments are as follows:

2027	\$ 190,632
2028	190,232
2029	165,844
2030	165,844
2031	137,634

10. Employee retirement plan:

During the year the Organization made contributions of \$153,831 (2025 - \$163,057) included in wages and employee benefits into a defined contribution pension plan.

11. Arcane Horizon Fund:

During a previous year, the agency entered an agreement with The Winnipeg Foundation to establish the Arcane Horizon Fund. All donations, bequests and legacies which are directed to the Arcane Horizon Fund by Arcane and the general public shall be used to purchase units in The Winnipeg Foundation Consolidated Trust Fund and held in the Arcane Horizon Fund in trust for Arcane. The net income from the fund shall be paid at least annually to Arcane.

12. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Organization'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 business, the Organization 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 Organization has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Liquidity risk-

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main sources of liquidity are its operations and external contributions. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

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. Obtaining long-term debt with fixed interest rates minimizes cash flow risk.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2026

12. Risk management (continued):

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 Organization 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 Organization 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. No allowance for doubtful accounts has been recorded as at March 31, 2026 (2025 - \$nil).