

Animikii-Ozoon Inc.
Financial Statements
March 31, 2020

Management's Responsibility

To the Members of Animikii-Ozozon Inc.:

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.


Chief Executive Officer


Chief Financial Officer

Independent Auditor's Report

To the Members of Animikii-Ozozon Inc.:

Opinion

We have audited the financial statements of Animikii-Ozozon Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in 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 March 31, 2020, 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Winnipeg, Manitoba

October 13, 2020

MNP LLP

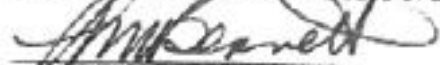
Chartered Professional Accountants


Animikii-Ozoseon Inc.
Statement of Financial Position

As at March 31, 2020

	2020	2019
Assets		
Current		
Cash (Note 4)	6,599,253	2,591,881
Accounts receivable (Note 5)	60,251	2,631,165
Short term investment (Note 6)	35,000	35,000
Prepaid expenses and deposits	64,725	40,275
	6,759,229	5,298,321
Capital assets (Note 7)	388,562	440,294
	7,147,791	5,738,615
Liabilities		
Current		
Accounts payable and accruals (Note 8)	1,091,394	1,098,819
Deferred contributions (Note 9)	2,967,744	1,452,439
Working capital advances (Note 10)	1,204,000	1,204,000
Current portion of long-term debt (Note 11)	201,833	201,833
	5,464,971	3,957,091
Long-term debt (Note 11)	134,560	336,393
	5,599,531	4,293,484
Net Assets		
Investment in capital assets	388,562	440,294
Unrestricted	1,159,698	1,004,837
	1,548,260	1,445,131
	7,147,791	5,738,615

Approved on behalf of the Board of Directors


Director


Director

The accompanying notes are an integral part of these financial statements

Animikii-Ozozon Inc.
Statement of Operations
For the year ended March 31, 2020

	2020	2019
Revenue		
Southern First Nations Network of Care		
Operations Core	940,534	940,801
Operations Protection	3,132,679	3,131,793
Operations Prevention	245,104	245,729
Operations Other	58,590	58,561
	4,376,907	4,376,884
Province of Manitoba		
Province of Manitoba - Maintenance	11,580,445	12,836,855
Province of Manitoba - Agency Allowance	367,555	218,561
Miscellaneous	58,064	66,392
	12,006,064	13,121,808
Childrens' Special Allowance		
CSA Provincial	889,180	2,089,777
Other		
Investment income	30,000	9,279
Employee Parking	23,482	25,081
External Agency Billings	177,629	260,185
Vision Catchers	3,825	985
	234,936	295,530
Total revenue	17,507,087	19,883,999

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Animikii-Ozozon Inc.
Statement of Operations
For the year ended March 31, 2020

	<i>2020</i>	<i>2019</i>
Total revenue <i>(Continued from previous page)</i>	17,507,087	19,883,999
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Core Operations		
Salaries	639,930	616,859
Benefits	80,431	89,799
Operating	791,874	872,946
Audit expense	16,669	13,500
Board of Directors expense	34,851	27,240
Insurance	63,043	60,066
Legal	50,980	51,361
Training	5,832	145
Travel	10,951	5,450
	1,694,561	1,737,366
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Protection		
Salaries	2,147,145	2,134,095
Benefits	274,899	293,581
Operating	17,401	17,647
Training	2,233	26
Travel	90,256	112,423
Purchased services	58,477	108,924
Contracted resources	49,498	28,905
	2,639,909	2,695,601
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Prevention		
Salaries	112,640	101,407
Benefits	20,679	11,039
Operating	480	630
Travel	1,740	2,274
Purchased services	35,548	68,563
Contracted resources	68	14,237
	171,155	198,150
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Province of Manitoba		
Agency Allowance	216,613	218,561
Child maintenance	12,555,984	12,742,848
	12,772,597	12,961,409
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Childrens' Special Allowance		
CSA Provincial	8,038	2,089,777
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External Agency Maintenance		
EA maintenance	117,698	223,058
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Total expenses	17,403,958	19,905,361
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Excess (deficiency) of revenue over expenses	103,129	(21,362)
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The accompanying notes are an integral part of these financial statements

Animikii-Ozoon Inc.
Statement of Changes in Net Assets
For the year ended March 31, 2020

	<i>Investment in capital assets</i>	<i>Unrestricted</i>	<i>2020</i>	<i>2019</i>
Net assets, beginning of year	440,294	1,004,837	1,445,131	1,466,493
Excess (deficiency) of revenue over expenses	-	103,129	103,129	(21,362)
Amortization of capital assets	(92,459)	92,459	-	-
Purchase of capital assets	40,727	(40,727)	-	-
Net assets, end of year	388,562	1,159,698	1,548,260	1,445,131

The accompanying notes are an integral part of these financial statements

Animikii-Ozson Inc.
Statement of Cash Flows
For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Cash received from funders	21,597,323	20,412,174
Cash paid to suppliers	(14,092,204)	(16,801,552)
Cash paid to employees	(3,275,724)	(3,246,781)
Cash paid for interest	(9,463)	(8,053)
Interest received	30,000	9,279
	4,249,932	365,067
Financing		
Repayment of long-term debt	(201,833)	(201,833)
Decrease in Province of Manitoba payable	-	(526,989)
	(201,833)	(728,822)
Investing		
Purchase of capital assets	(40,727)	(10,053)
Increase (decrease) in cash resources	4,007,372	(373,808)
Cash resources, beginning of year	2,591,881	2,965,689
Cash resources, end of year	6,599,253	2,591,881

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Animikii-Ozoson Inc. (the "Organization") was incorporated in the Province of Manitoba as a corporation without share capital on February 3, 2005, and began active operations in October 2005.

The Organization operates to provide child and family services under the Southern First Nations Network of Care (the "Southern Authority").

The Organization is registered as a not-for-profit organization under the Income Tax Act (the "Act") and as such is exempt from income taxes. In order to maintain its status as a not-for-profit organization under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Adoption of new accounting policy

Capital Assets Held by Not-for-Profit Organizations

Effective April 1, 2019, the Organization adopted the Accounting Standard Board's (AcSB) new accounting standards improvements for not-for-profit organizations related to capital assets under Section 4433 *Capital Assets Held by Not-for-Profit Organizations*. Applying this new Section results in changes to the determination of impairment and write-downs of capital assets and allows for the recognition of partial impairments of these assets.

There was no material impact on the financial statements from the application of the new accounting recommendations.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and includes the following significant accounting policies:

Cash

Cash includes balances with bank.

Short term investments

Marketable securities with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. Changes in fair value are recorded immediately in operations in the year in which they become known.

Capital assets

Capital assets are recorded at cost. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	45 %
Computer software	declining balance	100 %
Equipment	declining balance	20 %
Leasehold improvements	straight-line	term of lease

Long-lived assets

Long-lived assets consists of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in operations for the year.

3. Significant accounting policies *(Continued from previous page)*

Revenue recognition

The Organization 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.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- there is a substantial physical change to the specified tangible asset.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Deferred contributions is based on management's analysis of the extent to which eligibility requirements have been met on government funding. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the year in which they become known.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

3. Significant accounting policies (Continued from previous page)

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant, etc. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments; etc. in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenues over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenues over expenses in the year the reversal occurs.

4. Cash

	2020	2019
Petty cash	569	344
Operating bank account	283,736	72,128
Maintenance bank account	1,771,561	1,999,303
Investment bank account	4,543,387	520,106
	6,599,253	2,591,881

5. Accounts receivable

	2020	2019
Accounts receivable - operations	9,392	42,912
Accounts receivable - maintenance	55,858	2,587,732
Good and Services Tax receivable	10,101	9,917
Accounts receivable from employees	2,412	4,896
Accrued interest	4,488	708
	82,251	2,646,165
Allowance for doubtful accounts	(22,000)	(15,000)
	60,251	2,631,165

6. Short term investment

	2020	2019
Measured at fair value:		
Guaranteed Investment Certificate	35,000	35,000
	35,000	35,000

The above redeemable GIC, bearing interest at 1.45% (2019 - 1.20%) per annum, maturing June 2020.

Animikii-Ozoson Inc.
Notes to the Financial Statements
For the year ended March 31, 2020

7. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2020 Net book value</i>
Computer equipment	112,153	83,551	28,602
Computer software	21,031	11,790	9,241
Equipment	386,984	306,416	80,568
Leasehold improvements	1,168,475	898,324	270,151
	1,688,643	1,300,081	388,562
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>
Computer equipment	83,236	77,200	6,036
Computer software	10,470	10,470	-
Equipment	385,736	286,465	99,271
Leasehold improvements	1,168,475	833,488	334,987
	1,647,917	1,207,623	440,294

Amortization in the year is \$92,459 (2019 - \$135,002)

8. Accounts payable and accruals

	<i>2020</i>	<i>2019</i>
Accounts payable - maintenance	754,134	787,656
Accounts payable - payroll and other accrued liabilities	332,839	304,090
Account payables - Manitoba Health and Post Secondary Education Tax Levy	4,421	7,073
	1,091,394	1,098,819

9. Deferred contributions

Deferred contributions consists of the excess of the Agency Allowance received and the Agency Allowance spent.

10. Working capital advance

The working capital advance is payable to Southern First Nations Network of Care. The working capital advance is non-interest bearing and has no specified terms of repayment.

Animikii-Ozoon Inc.
Notes to the Financial Statements
For the year ended March 31, 2020

11. Long-term debt

	2020	2019
Province of Manitoba term loan, non-interest bearing, payable in monthly instalments of \$16,819, due November 2020 and unsecured.	336,393	538,226
Less: current portion	201,833	201,833
	134,560	336,393

Principal repayments on long-term debt in each of the next two years, assuming all term debt is subject to contractual terms of repayment are estimated as follows:

	<i>Principal</i>
2021	201,833
2022	134,560
	336,393

12. Commitments

The Organization has entered into various operating lease agreements with estimated minimum annual payments as follows:

2021	365,003
2022	365,003
2023	365,003
2024	359,210
2025	346,342
	1,800,561

13. Economic dependence

The Organization's primary source of funding is from the Province of Manitoba. The secondary source of funding is from the Southern First Nations Network of Care. The Organization's ability to continue viable operations is dependent on this funding.

14. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

15. Pension plan

The Organization is subject to a defined contribution pension plan. Employees contribute 3-5% of their annual salary, which is matched by the Organization. Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to \$96,437 (2019 - \$118,712) included in the statement of operations.

16. Significant event

In March 2020, the World Health Organization declared a global pandemic known as COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The outbreak has resulted in incremental costs to the Organization, the total amounts of which are unknown at this time. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

In March 2020, the Province introduced Bill 34. Part 8 of Bill 34, expected to be proclaimed in November 2020, could significantly impact the Organization's financial standing. Bill 34 creates future debt of the Organization to the Province with respect to CSA and other benefits the agency could receive. 14 agencies, including the Organization, are challenging Bill 34.