

KINARK CHILD AND FAMILY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2010

KINARK CHILD AND FAMILY SERVICES

INDEX TO FINANCIAL STATEMENTS

MARCH 31, 2010

| | |
|--|--------|
| AUDITORS' REPORT | 1 |
| STATEMENT OF FINANCIAL POSITION | 2 |
| STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES | 3 |
| STATEMENT OF CASH FLOWS | 4 |
| NOTES TO FINANCIAL STATEMENTS | 5 - 11 |

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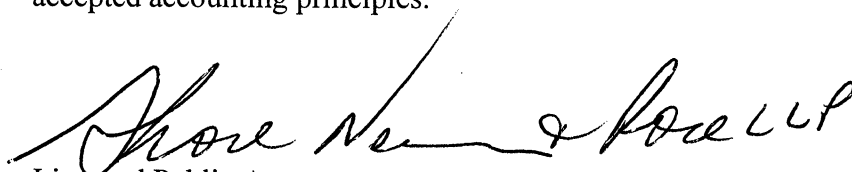
AUDITORS' REPORT

To the Members of
Kinark Child and Family Services:

We have audited the statement of financial position of **Kinark Child and Family Services** as at March 31, 2010 and the statements of operations and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Kinark Child and Family Services** as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Licensed Public Accountants
May 17, 2010

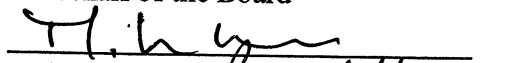

KINARK CHILD AND FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2010

| | 2010 | 2009 |
|--|---------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash on hand and in bank | \$ 909,672 | \$ 2,419,362 |
| Investments | 1,349,007 | 1,340,399 |
| Sundry receivables (Note 4) | 881,523 | 1,231,417 |
| Due from Ministry of Children and Youth Services | 111,688 | 133,692 |
| Prepaid expenses and sundry | 648,980 | 630,218 |
| | 3,900,870 | 5,755,088 |
| Capital assets (Note 5) | 5,409,725 | 5,616,494 |
| Deposit on leases | 102,438 | 167,670 |
| | \$ 9,413,033 | \$ 11,539,252 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,391,610 | \$ 4,538,889 |
| Accrued salaries payable | 627,347 | 966,027 |
| Employees payroll deductions payable | 535,138 | 470,655 |
| Deferred special contract revenue | 795,682 | 1,362,175 |
| | 5,349,777 | 7,337,746 |
| Fund balances (Note 2) | | |
| Capital Assets fund account | 5,409,724 | 5,616,493 |
| Central East Treatment Programs fund account | (1,645,309) | (1,646,897) |
| Central West and Youth Justice Programs fund account | (116,050) | (116,051) |
| Central East Autism Program ("CEAP") fund account | 160,013 | 91,490 |
| Autism Spectrum Disorder - School Support Program ("ASD-SSP") fund account | (45,706) | (45,706) |
| Child Care Centres fund account | 11,282 | 12,875 |
| Donations and Fund-Raising fund account | 289,302 | 289,302 |
| | 4,063,256 | 4,201,506 |
| | \$ 9,413,033 | \$ 11,539,252 |

On behalf of the Board

 Director
 Director

Commitments (Note 6)

Contingencies (Note 13)

KINARK CHILD AND FAMILY SERVICES

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2010

| | Capital Assets Fund | | Central East Treatment Programs | | Central West and Youth Justice Programs | | Autism Services CEAP | | ASD-SSP | | Child Care Centres | | Donations and Fund-Raising | | Total | |
|--|---------------------|--------------|------------------------------------|----------------|--|---------------|-------------------------|---------------|--------------|--------------|--------------------|-----------|----------------------------|------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Operating revenues | | | | | | | | | | | | | | | | |
| Government funding | \$ - | \$ - | \$ 20,020,838 | \$ 20,222,815 | \$ 11,843,287 | \$ 11,474,987 | \$ 22,943,680 | \$ 22,214,758 | \$ 4,519,700 | \$ 4,470,000 | \$ - | \$ - | \$ - | \$ - | \$ 59,327,505 | \$ 58,382,560 |
| Other contract funding and user fees | - | - | 3,424,667 | 3,386,760 | 6,575 | 273,000 | - | 7,000 | - | - | - | - | 138 | - | 3,431,380 | 3,666,760 |
| Child care | - | - | - | - | - | - | - | - | - | - | 1,232,710 | 1,361,340 | - | - | 1,232,710 | 1,361,340 |
| Donations and fund-raising | - | - | 111,312 | 103,241 | 60 | - | - | - | - | - | - | 27 | 6,619 | 1,825 | 117,991 | 105,093 |
| Interest | - | - | 20,121 | 121,652 | - | - | - | - | - | - | - | - | - | 8,419 | 20,121 | 130,071 |
| | - | - | 23,576,938 | 23,834,468 | 11,849,922 | 11,747,987 | 22,943,680 | 22,221,758 | 4,519,700 | 4,470,000 | 1,232,710 | 1,361,367 | 6,757 | 10,244 | 64,129,707 | 63,645,824 |
| Operating costs | | | | | | | | | | | | | | | | |
| Salaries and benefits | - | - | 16,308,301 | 16,165,721 | 9,889,719 | 9,099,051 | 6,726,955 | 6,506,710 | 3,725,305 | 3,680,847 | 1,046,456 | 1,134,805 | - | 6,785 | 37,696,736 | 36,593,919 |
| General agency | - | - | 1,911,587 | 1,907,644 | 220,941 | 72,575 | - | 135,929 | 42,227 | 54,890 | 1,285 | 2,868 | 722 | - | 2,176,762 | 2,173,906 |
| Building occupancy | - | - | 2,046,168 | 1,606,844 | 820,830 | 610,774 | 247,182 | 236,689 | 145,943 | 147,068 | 77,977 | 102,085 | - | - | 3,338,100 | 2,703,460 |
| Staff travel and training | - | - | 1,244,038 | 1,256,220 | 193,340 | 249,497 | 178,645 | 163,956 | 190,036 | 200,337 | 2,533 | 4,811 | - | - | 1,808,592 | 1,874,821 |
| Clinical, professional and other client | - | - | 761,801 | 1,614,709 | 542,539 | 936,384 | 15,262,233 | 15,065,970 | 328,591 | 224,797 | 99,160 | 109,880 | 6,035 | 7,140 | 17,000,359 | 17,958,880 |
| Telephone, technology and equipment | - | - | 840,337 | 873,535 | 115,769 | 155,179 | 133,321 | 83,336 | 84,409 | 126,431 | 4,831 | 5,996 | - | 1,000 | 1,178,667 | 1,245,477 |
| Legal, audit and insurance | - | - | 253,207 | 184,014 | 54,887 | 107,493 | 108,241 | 3,685 | - | - | 423 | 922 | - | - | 416,758 | 296,114 |
| Amortization | - | - | 404,354 | 372,057 | 117,507 | 191,019 | 72,103 | 69,601 | 51,338 | 72,657 | 4,692 | 1,890 | - | - | 649,994 | 707,224 |
| Donations and fund-raising service use | - | - | 1,944 | 16,548 | - | - | - | - | - | - | 45 | - | - | 79 | 1,989 | 16,627 |
| | - | - | 23,771,737 | 23,997,292 | 11,955,532 | 11,421,972 | 22,728,680 | 22,265,876 | 4,567,849 | 4,507,027 | 1,237,402 | 1,363,257 | 6,757 | 15,004 | 64,267,957 | 63,570,428 |
| Excess (deficiency) of revenues over costs for the year | - | - | (194,799) | (162,824) | (105,610) | 326,015 | 215,000 | (44,118) | (48,149) | (37,027) | (4,692) | (1,890) | - | (4,760) | (138,250) | 75,396 |
| Fund balances, beginning of the year | 5,616,493 | 4,307,847 | (1,646,897) | (418,405) | (116,051) | (116,051) | 91,490 | 121,333 | (45,706) | (75,551) | 12,875 | 12,875 | 289,302 | 294,062 | 4,201,506 | 4,126,110 |
| Transfer additions to capital assets fund | 443,225 | 2,015,870 | (207,967) | (1,437,725) | (11,896) | (517,034) | (218,580) | (55,326) | (3,189) | (5,785) | (1,593) | - | - | - | - | - |
| Transfer amortization to capital assets fund | (649,994) | (707,224) | 404,354 | 372,057 | 117,507 | 191,019 | 72,103 | 69,601 | 51,338 | 72,657 | 4,692 | 1,890 | - | - | - | - |
| Fund balances, end of the year | \$ 5,409,724 | \$ 5,616,493 | \$ (1,645,309) | \$ (1,646,897) | \$ (116,050) | \$ (116,051) | \$ 160,013 | \$ 91,490 | \$ (45,706) | \$ (45,706) | \$ 11,282 | \$ 12,875 | \$ 289,302 | \$ 289,302 | \$ 4,063,256 | \$ 4,201,506 |

See accompanying notes to the financial statements

KINARK CHILD AND FAMILY SERVICES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2010

| | 2010 | 2009 |
|--|--------------------|---------------------|
| Cash flows from operating activities | | |
| Deficiency of revenues over costs - Central East Treatment Programs | \$ (194,799) | \$ (162,824) |
| Excess (deficiency) of revenues over costs - Central West and Youth Justice Programs | (105,610) | 326,015 |
| Excess (deficiency) of revenues over costs - CEAP | 215,000 | (44,118) |
| Deficiency of revenues over costs - ASD-SSP | (48,149) | (37,027) |
| Deficiency of revenues over costs - Child Care Centres | (4,692) | (1,890) |
| Deficiency of revenues over costs - Donations and Fund-Raising | - | (4,760) |
| Amortization | 649,994 | 707,224 |
| | 511,744 | 782,620 |
| Changes in non-cash working capital balances: | | |
| Sundry receivables | 349,894 | (435,589) |
| Due from Ministry of Children and Youth Services | 22,004 | 1,210,312 |
| Prepaid expenses and sundry | (18,762) | (105,417) |
| Deposit on leases | 65,232 | (76,875) |
| Accounts payable and accrued liabilities | (1,147,279) | 1,433,186 |
| Employees payroll deductions payable | 64,483 | (182,607) |
| Accrued salaries payable | (338,680) | (87,060) |
| Deferred special contract revenue | (566,493) | 410,779 |
| | (1,057,857) | 2,949,349 |
| Cash flows from investing activities | | |
| Purchase of capital assets (Note 8(a)) | (443,225) | (2,015,870) |
| Increase in investments | (8,608) | (51,315) |
| | (451,833) | (2,067,185) |
| Increase (decrease) in cash and cash equivalents | (1,509,690) | 882,164 |
| Cash and cash equivalents, beginning of the year | 2,419,362 | 1,537,198 |
| Cash and cash equivalents, end of the year (Note 8(b)) | \$ 909,672 | \$ 2,419,362 |

See accompanying notes to the financial statements

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

Purpose of the organization

Kinark Child and Family Services ("Kinark") was incorporated under the laws of the Province of Ontario as a non-share capital corporation. It is a registered charitable organization within the meaning of the Income Tax Act and therefore is not subject to income taxes.

Kinark is an Ontario community based organization whose mission is *caring, helping, healing - so children and youth can live socially and emotionally healthy lives*. Kinark achieves this mission by providing expert help to children and youth, their families and communities. Kinark provides everything from parenting advice to help for children and youth with chronic and multiple mental health issues. In addition, Kinark provides intensive treatment and support to youth in conflict with the law as well as an extensive range of programs for children and youth diagnosed with Autism Spectrum Disorder (ASD).

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with the preceding year. Outlined below are the accounting policies considered to be significant.

Revenue recognition

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 when the amount to be received can be reasonably estimated and its collection is reasonably assured.

Government funding is primarily received from the Ontario Ministry of Children and Youth Services and is generally recorded when received. Funding received in respect of special contracts is recorded as revenue when Kinark provides the related services. Prior to providing the services, the amounts received is recorded as deferred special contract revenue in the Statement of Financial Position.

Change in accounting policy - financial statements

Effective April 1, 2009, Kinark adopted various amendments in existing standards for Not-For-Profit organizations, Sections 4400-4470 of the Canadian Institute of Chartered Accountants (CICA) Handbook. The implementation of these standards does not have a material impact on the presentation and disclosure of the financial statements.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

1. Significant accounting policies (*continued*)

Capital assets

Capital assets are recorded at cost. Amortization is calculated using the methods set out below applied to the cost of the assets, at annual rates based on their estimated useful lives as follows:

| Asset | Rate | Method |
|------------------------|------|--|
| Buildings | 4% | Diminishing balance |
| Furniture and fixtures | 20% | Diminishing balance |
| Vehicles | 30% | Diminishing balance |
| Computer equipment | 30% | Diminishing balance |
| Computer software | 100% | Diminishing balance |
| Leasehold improvements | | Straight line over the term of the lease |

Amortization expense is reported in the Capital Assets fund.

In addition, Kinark capitalizes all real estate for which it receives capital grants or special funding from the Ministry of Children and Youth Services.

Other

Kinark does not inventory food and household supplies. These costs are charged to operations in the year incurred.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 costs during the year. Significant estimates used in the preparation of these financial statements include amortization of capital assets, accounts payable and accrued liabilities, accrued salaries payable and prepaid expenses and sundry. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations and changes in fund balances in the year in which they become known.

Donated services

Donated services assist Kinark in carrying out its program activities. Since these services are not normally purchased by Kinark and because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

1. Significant accounting policies (*continued*)

Allocation of expenses

Kinark provides a range of treatments to help children, youth, their families and communities. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the programs. Kinark also incurs a number of general support expenses that are common to the administration of Kinark and each of its programs. These expenses are allocated according to Kinark's annual Service Contract with the Ministry of Children and Youth Services.

Impairment of long-lived assets

Kinark reviews long-lived assets for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. During 2010, Kinark has determined that no impairment in the carrying value of these assets existed.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

2. Fund accounting

Kinark follows the restricted fund method of accounting for revenues and contributions. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified.

The Central West and Youth Justice Programs fund includes Central Youth Justice Services, Intensive Supervision Support Program "ISSP", Multiple Systemic Therapy - Youth Justice "MST YJ" and Central West Treatment.

The Central East Treatment Programs fund includes all other activities except those listed below.

The Central East Autism Program fund accounts for Kinark's autism program.

The Autism Spectrum Disorder-School Support Program fund accounts for Kinark's autism school support program.

The Child Care Centres fund accounts for Kinark's activities funded by the Day Nurseries Act.

The Donations and Fund-Raising fund accounts for contributions which are used for a variety of activities.

The Capital Assets fund accounts for Kinark's real estate and capital assets. As a condition of receiving capital funding for real estate, Kinark has agreed to certain restrictions on the use and disposition of the real estate. As well, Kinark has agreed not to make significant alterations or additions to all or any part of any buildings on the land. The land cannot be transferred or charged without the consent of the Ministry of Children and Youth Services.

3. Divestments in prior years

During fiscal 1998, Kinark divested its interest in the Haliburton Area Program. As part of this transaction, the office facilities were transferred to Point In Time Centre for Children, Youth and Parents (formerly Family Services of Haliburton County) for a nominal sum. Kinark has retained a right of first refusal to reacquire the facilities should the purchaser intend to dispose of them in the future.

During fiscal 1995, 1998 and 1999, Kinark sold for nominal proceeds a total of six of its residential properties to various organizations funded by the Government of Ontario. In exchange for accepting nominal proceeds, Kinark has retained a right of first refusal to reacquire any of these properties for the same nominal sum should the purchaser intend to dispose of the properties in the future.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

4. Sundry receivables

Included in sundry receivables is a receivable of \$300,352 (\$228,067 - 2009) from Kinark Foundation (the "Foundation"). The Foundation is an independent corporation without share capital which has its own Board of Directors. The Foundation is responsible for fundraising activities carried out on behalf of Kinark. Kinark provides certain services to the Foundation and pays certain expenses on behalf of the Foundation. The receivable balance bears no interest and has no fixed terms of repayment. Subsequent to the year end, the Foundation repaid this amount.

5. Capital assets

| | Cost | Accumulated Amortization | 2010 Net Book Value | 2009 Net Book Value |
|---------------------------|---------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 387,412 | \$ - | \$ 387,412 | \$ 387,412 |
| Buildings | 4,270,632 | 962,233 | 3,308,399 | 3,448,741 |
| Furniture and fixtures | 2,846,310 | 1,711,452 | 1,134,858 | 1,166,097 |
| Vehicles | 233,625 | 224,684 | 8,941 | 12,773 |
| Computer equipment | 3,029,312 | 2,583,732 | 445,580 | 574,947 |
| Computer software | 24,964 | - | 24,964 | 11,176 |
| Leasehold improvements | 935,991 | 836,420 | 99,571 | 15,348 |
| | \$ 11,728,246 | \$ 6,318,521 | \$ 5,409,725 | \$ 5,616,494 |

Amortization expense for the year amounted to \$649,994 (\$707,224 for 2009).

6. Commitments

Kinark is committed under long-term leases for various periods extending to the fiscal year 2015. The minimum lease payments are as follows

| | Equipment | Vehicles | Property | Total |
|------|------------|------------|--------------|--------------|
| 2011 | \$ 141,481 | \$ 271,164 | \$ 1,670,235 | \$ 2,082,880 |
| 2012 | 92,356 | 175,516 | 1,189,640 | 1,457,512 |
| 2013 | 86,637 | 25,256 | 1,049,631 | 1,161,524 |
| 2014 | 54,429 | - | 1,069,239 | 1,123,668 |
| 2015 | - | - | 933,334 | 933,334 |
| | \$ 374,903 | \$ 471,936 | \$ 5,912,079 | \$ 6,758,918 |

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

7. Public sector salary disclosure

As required under the Public Sector Salary Disclosure Act, 1996, Kinark has filed a listing of its employees whose salaries exceeded \$100,000 during calendar year 2009 with the Government of Ontario and it is available at the following website: www.gov.on.ca.

8. Statement of cash flows

(a) During the fiscal year, capital assets were purchased for cash in the amount of \$443,225 (2009 - \$2,015,870).

(b) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks.

9. Financial instruments

Fair value

Kinark's primary financial instruments consist of cash, investments, sundry receivables, due from Ministry of Children and Youth Services, accounts payable and accrued liabilities and accrued salaries payable. The fair values of the financial instruments approximate their book values due to the relatively short-term maturities of those instruments. It is management's opinion that Kinark is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Kinark has designated investments as held for trading. These investments are measured at fair value and any related gains or losses are recognized in the Statement of Operations and Changes in Fund Balances in the current year. Transaction costs related to the acquisition of held for trading financial instruments are expensed as incurred.

10. Capital risk management

Kinark's objectives when managing capital are to ensure its ability to continue to fulfil its stated goals. Kinark manages its capital structure by preparing a balanced budget on an annual basis. If it becomes apparent that funds will fall short of those budgeted, expenses are curtailed so as to ensure that adequate capital is maintained. Kinark is not subject to any externally imposed capital requirements.

11. Pension plan

Kinark has a defined contribution pension plan for its employees. In accordance with the Plan Agreement, employees in the plan can contribute 4%, 5% or 6% of their salary to the plan. Kinark is required to match their contributions. Included in the salaries and benefits in the Statement of Operations and Changes in Fund Balances is approximately \$1,344,996 (2009 - \$1,269,621) of pension plan contributions.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

12. Guarantees

In the normal course of business, Kinark enters into agreements that meet the definition of a guarantee. Kinark's primary guarantees are subject to the disclosure requirements of the CICA Handbook Accounting Guideline 14 "Disclosure of Guarantees".

Kinark has entered into various agreements that include guarantees of leases, banking, outsourcing and service agreements. These agreements may require Kinark to compensate others for losses incurred as a result of breaches of these agreements.

The nature of these agreements prevents Kinark from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events. Historically, Kinark has not made any significant payments under such or similar agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

13. Contingencies

Kinark has been named as a defendant in two legal actions:

Kinark has been named as a co-defendant in a legal action by a former client. The action seeks \$9,000,000 in damages. At this time, Kinark's legal counsel cannot determine the outcome or potential liability, if any, in the action and Kinark has not determined the extent to which this action may be covered by insurance. It is Kinark's intent to vigorously defend this action.

Kinark and a current employee have been named as two of several defendants in a legal action by a former client. The action seeks \$5,250,000 in damages plus punitive damages. At this time, Kinark's legal counsel cannot determine the outcome or potential liability, if any, in the action and Kinark has not determined the extent to which this action may be covered by insurance. It is Kinark's intent to vigorously defend this action.