

KINARK CHILD AND FAMILY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2023

HILBORN_{LLP}

Independent Auditor's Report

To the Directors of Kinark Child and Family Services

Opinion

We have audited the financial statements of Kinark Child and Family Services ("Kinark"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and changes in fund balances 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 Kinark as at March 31, 2023, 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 Kinark 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, other than the financial statements and our auditor's report thereon, in the annual 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 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.

The annual report is expected to be made available to us after the date of our auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact 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 ability of Kinark 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 Kinark or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Kinark.

Independent Auditor's Report (continued)

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 the 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 internal control of Kinark.
- 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 ability of Kinark 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 Kinark 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario
July 27, 2023

Chartered Professional Accountants
Licensed Public Accountants

KINARK CHILD AND FAMILY SERVICES

Statement of Financial Position

March 31	2023 \$	2022 \$
ASSETS		
Current assets		
Cash	31,267,027	16,031,911
Accounts receivable (note 3)	1,203,534	2,392,512
Prepaid expenses and deposits	287,476	248,530
Due from Ministry of Children, Community and Social Services and Ministry of Health	439,372	677,884
	33,197,409	19,350,837
Property and equipment (note 5)	11,127,874	6,945,011
	44,325,283	26,295,848
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	6,108,506	5,901,003
Accrued salaries payable	1,832,565	2,517,151
Employee payroll deductions payable	4,167	120,953
Government remittances payable	416,334	329,741
Due to Ministry of Children, Community and Social Services and Ministry of Health (note 7)	22,767,371	10,669,367
Deferred revenue (notes 5 and 7)	5,480,962	1,908,546
Demand instalment loan (note 8)	139,929	220,146
Current portion of loan payable (note 9)	261,261	-
	37,011,095	21,666,907
Loan payable (note 9)	1,083,609	-
Deferred lease incentives (note 10)	1,819,188	-
	2,902,797	-
	39,913,892	21,666,907
FUND BALANCES		
Capital Assets	7,823,886	6,724,864
Community Mental Health Services	(2,806,178)	(1,867,073)
Forensics/Youth Justice Services	(945,304)	(573,605)
Autism Services	366,560	360,451
General	(27,573)	(15,696)
	4,411,391	4,628,941
	44,325,283	26,295,848

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Caren Narvet

Director Caren Narvet

Director

Sunil Mistry

Sunil Mistry

KINARK CHILD AND FAMILY SERVICES

Statement of Operations and Changes in Fund Balances

Year ended March 31	Capital Assets		Community Mental Health Services		Forensics/Youth Justice Services		Autism Services		General 2022 (note 16)	Total 2023	Total 2022 (note 16)	
	2023	2022	2023	2022	2023	2022	2023	2022				
	\$	\$	\$	(note 16) \$	\$	(note 16) \$	\$	(note 16) \$				
Operating revenues												
Government funding	-	-	30,047,004	28,672,145	11,917,033	11,921,637	69,751,811	61,447,053	1,498,800	1,548,242	113,214,648	103,589,077
Other contract funding and user fees (note 7)	-	-	313,092	680,325	573,440	-	1,554,515	295,000	937,245	1,453,153	3,378,292	2,428,478
Other (note 5)	-	-	23,454	242,734	-	-	-	-	9,582	1,306	33,036	244,040
	-	-	30,383,550	29,595,204	12,490,473	11,921,637	71,306,326	61,742,053	2,445,627	3,002,701	116,625,976	106,261,595
Operating expenses												
Salaries and benefits (note 11)	-	-	17,920,198	18,693,694	7,259,358	7,884,039	10,798,377	7,849,601	1,923,971	2,086,286	37,901,904	36,513,620
Clinical, professional and other client	-	-	1,258,432	1,188,747	1,739,767	1,029,885	44,134,829	44,121,453	20,649	26,444	47,153,677	46,366,529
Building occupancy	-	-	1,641,611	1,243,508	304,842	102,946	968,658	651,456	76,922	20,198	2,992,033	2,018,108
Telephone, technology and equipment	-	-	874,482	951,471	155,452	621,556	463,839	238,823	19,958	62,142	1,513,731	1,873,992
General agency (note 12)	-	-	4,116,186	3,621,687	1,676,696	1,524,486	4,383,106	4,493,054	355,002	591,829	10,530,990	10,231,056
Staff travel and training	-	-	309,019	173,825	104,387	104,429	146,973	73,441	53,336	43,014	613,715	394,709
Legal, audit and insurance	-	-	893,153	225,187	7,911	229,360	116,828	21,396	-	-	1,017,892	475,943
Amortization (note 5)	-	-	665,131	609,528	96,637	96,677	93,881	43,776	126,498	57,815	982,147	807,796
	-	-	27,678,212	26,707,647	11,345,050	11,593,378	61,106,491	57,493,000	2,576,336	2,887,728	102,706,089	98,681,753
Excess (deficiency) of revenues over expenses for year	-	-	2,705,338	2,887,557	1,145,423	328,259	10,199,835	4,249,053	(130,709)	114,973	13,919,887	7,579,842
Fund balances, beginning of year	6,724,864	5,796,225	(1,867,073)	(2,045,902)	(573,605)	(573,605)	360,451	360,451	(15,696)	(26,848)	4,628,941	3,510,321
Government funding repayable (note 6)	-	-	(3,486,072)	(2,275,276)	(532,894)	(185,433)	(10,118,471)	(3,954,885)	-	(45,628)	(14,137,437)	(6,461,222)
Purchase of property and equipment, net of tenant inducements and loan payable	2,247,151	1,672,532	(989,484)	(979,077)	(1,080,865)	(239,503)	(169,136)	(337,944)	(7,666)	(116,008)	-	-
Net book value of property and equipment disposed of (note 5)	(274,697)	(14,609)	274,697	14,609	-	-	-	-	-	-	-	-
Loan payments	80,217	78,512	(80,217)	(78,512)	-	-	-	-	-	-	-	-
Amortization	(953,649)	(807,796)	636,633	609,528	96,637	96,677	93,881	43,776	126,498	57,815	-	-
Fund balances, end of year	7,823,886	6,724,864	(2,806,178)	(1,867,073)	(945,304)	(573,605)	366,560	360,451	(27,573)	(15,696)	4,411,391	4,628,941

The accompanying notes are an integral part of these financial statements

KINARK CHILD AND FAMILY SERVICES

Statement of Cash Flows

Year ended March 31	2023 \$	2022 \$
Cash flows from operating activities		
Excess of revenues over expenses for year	13,919,887	7,579,842
Adjustments to determine net cash provided by (used in) operating activities		
Amortization	982,147	807,796
Gain on disposal of property and equipment and sale-leaseback	(23,454)	(242,733)
	14,878,580	8,144,905
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	1,866,421	(2,128,884)
Increase in prepaid expenses and deposits	(38,946)	(92,754)
Decrease in due from Ministry of Children, Community and Social Services and Ministry of Health	238,512	1,419,609
Increase (decrease) in accounts payable and accrued liabilities	(369,307)	1,579,657
Increase (decrease) in accrued salaries payable	(684,586)	11,375
Decrease in employee payroll deductions payable	(116,786)	(43,611)
Increase (decrease) in government remittances payable	86,593	(99,581)
Increase (decrease) in deferred revenue	3,595,870	(200,799)
Funding repaid to Ministry of Children, Community and Social Services and Ministry of Health	(2,039,433)	(3,249,876)
	17,416,918	5,340,041
Cash flows from investing activities		
Purchase of property and equipment	(2,389,181)	(1,672,532)
Proceeds on disposal of property and equipment	-	233,888
Receipt of lease incentives - tenant inducements	287,596	-
	(2,101,585)	(1,438,644)
Cash flows from financing activities		
Demand instalment loan payments	(80,217)	(78,512)
Net change in cash	15,235,116	3,822,885
Cash, beginning of year	16,031,911	12,209,026
Cash, end of year	31,267,027	16,031,911

The accompanying notes are an integral part of these financial statements

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements

March 31, 2023

Nature and description of the organization

Kinark Child and Family Services ("Kinark") was incorporated as a not-for-profit corporation under the Ontario Business Corporations Act. Kinark is an Ontario community based organization whose mission is helping children and youth with complex needs achieve better outcomes. Kinark has three primary program streams: community mental health services, forensic/youth justice services, and autism services.

Kinark is a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

1. Significant accounting policies

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

(a) Fund accounting

Funds are held and presented in accordance with the objectives specified by funders. For financial reporting purposes, the following funds have been presented:

The Capital Assets Fund accounts for Kinark's property and equipment. As a condition of receiving capital funding for property, Kinark has agreed to certain restrictions on the use and disposition of the property. The property cannot be transferred or charged without the consent of the Ministry of Children, Community and Social Services ("MCCSS") and the Ministry of Health ("MOH").

The Capital Assets Fund comprises the net book value of property and equipment less demand instalment loan, loan payable and deferred lease incentives.

The Community Mental Health Services ("CMH") Fund captures operations relating to a range of assessment and treatment services, including individual, family and group counselling services, in the Central and East regions of Ontario including the Kinark Outdoor Centre and Peel region (Vanier Residential Program).

The Forensics/Youth Justice Services Fund captures operations relating to the following programs: Secure Treatment (Syl Apps Youth Centre), Intensive Supervision and Support Program ("ISSP") and Multi-Systematic Therapy - Youth Justice ("MST YJ").

The Autism Services Fund captures operations relating to the Ontario Autism Program, the Autism Spectrum Disorder School Support Program ("ASD SSP") and the York Simcoe Autism Network ("YSAN").

The General Fund includes CMH Lead Agency responsibilities, Supervised Access Programs and other programs.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

1. **Significant accounting policies (continued)**

(b) **Revenue recognition**

Kinark follows the restricted fund method of accounting for contributions.

Restricted contributions for which a corresponding restricted fund is presented are recognized as revenue of that fund in the period, when received or receivable and the amount to be received can be reasonably estimated and its collection is reasonably assured.

Restricted contributions for which no corresponding restricted fund is presented are recognized as revenue of the General Fund in the period in which the related expenses are incurred. Prior to incurring the related expenses, the contributions are recorded as deferred revenue.

Unrestricted contributions are recognized as revenue of the General Fund in the period when received or receivable and the amount to be received can be reasonably estimated and its collection is reasonably assured.

Government funding consists of restricted contributions from MCCSS and MOH.

Other contract funding consists of restricted and unrestricted contributions received from various funding agencies.

User fees are recognized as revenue when the services are rendered.

Other income consists of interest from cash, recognized on an accrual basis, gain on disposal of property and equipment and gain on sale-leaseback.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

1. Significant accounting policies (continued)

(c) Financial instruments

Measurement of financial assets and liabilities

Kinark initially measures its financial assets and financial liabilities at fair value adjusted by the amount of transaction costs directly attributable to the instrument.

Kinark subsequently measures all of its financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets measured at amortized cost include cash, accounts receivable and due from MCCSS and MOH.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, accrued salaries payable, due to MCCSS and MOH, demand instalment loan and loan payable.

Impairment

At the end of each year, Kinark assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of Kinark, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, Kinark determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

When Kinark identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and
- the amount that could be realized by selling the financial asset at the statement of financial position date.

Any impairment of the financial asset is recognized in income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year the reversal occurs.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

1. Significant accounting policies (continued)

(d) Property and equipment

The costs of property and equipment are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. The cost of property and equipment comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Property and equipment are measured at cost less accumulated amortization, if any, and accumulated impairment losses.

Amortization is provided for, upon the commencement of the utilization of the assets, using methods and rates designed to amortize the cost of property and equipment over their estimated useful lives. The methods and annual amortization rates are as follows:

Computer equipment	30%	declining balance
Buildings	4%	declining balance
Furniture and fixtures	20%	declining balance
Computer software	55%	declining balance
Vehicles	30%	declining balance

Amortization of leasehold improvements is recorded on a straight-line basis over the remaining term of the lease.

Amortization expense is reported in the various funds and the amounts are transferred to the Capital Assets Fund.

Kinark capitalizes all property for which it receives grants or special funding from Ontario Capital Branch, MCCSS and MOH.

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the property and equipment to its fair value. Any impairment of property and equipment is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the property and equipment subsequently increases.

(e) Deferred lease incentives

Lease incentives comprise tenant inducements received in cash or paid for directly by the landlord.

Lease incentives received in connection with original leases are amortized to income on a straight-line basis over the terms of the original leases. Lease incentives received in connection with re-negotiated leases are amortized to income on a straight-line basis over the period from the expiration date of the original lease to the expiration date of the re-negotiated lease.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

1. Significant accounting policies (continued)

(f) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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 current year. Actual results may differ from the estimates, the impact of which would be recorded in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(g) Donated services

The work of Kinark is dependent on the voluntary service of many individuals. 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 these financial statements.

2. Financial instrument risk management

Kinark is exposed to various risks through its financial instruments. The following analysis provides a measure of the risk exposure and concentrations.

The financial instruments of Kinark and the nature of the risks to which those instruments may be subject, are as follows:

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
Currency			Interest rate	Other price	
Cash	X			X	
Accounts receivable	X				
Due from MCCSS and MOH	X				
Accounts payable and accrued liabilities		X			
Accrued salaries payable		X			
Due to MCCSS and MOH		X			
Demand instalment loan		X		X	
Loan payable		X		X	

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

2. Financial instrument risk management (continued)

Credit risk

Kinark is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that Kinark could incur a financial loss.

The maximum exposure of Kinark to credit risk is as follows:

	2023	2022
	\$	\$
Cash	31,267,027	16,031,911
Accounts receivable	1,203,534	2,392,512
Due from MCCSS and MOH	439,372	677,884
	<u>32,909,933</u>	<u>19,102,307</u>

Kinark reduces its exposure to the credit risk of cash by maintaining balances with a Canadian financial institution.

Liquidity risk

Liquidity risk is the risk that Kinark will not be able to meet a demand for cash or fund its obligations as they come due.

The liquidity of Kinark is monitored by management to ensure sufficient cash is available to meet liabilities as they become due. Kinark has available a revolving bank demand credit facility as described in note 4.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates.

The functional currency of Kinark is the Canadian dollar. Kinark occasionally transacts in foreign currencies when certain expenses or capital asset acquisitions are denominated in those currencies.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

2. Financial instrument risk management (continued)

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

Kinark is not exposed to other price risk.

Changes in risk

There have been no significant changes in the risk profile of the financial instruments of Kinark from that of the prior year.

3. Accounts receivable

Fiscal 2023

In connection with the renovation work of the Peterborough premises of Kinark, lease incentives in the amount of \$487,306 (\$431,244 plus HST of \$56,062) are receivable from the landlord of the premises and \$267,659 is receivable from an equipment financing firm in connection with a sale and leaseback arrangement for renovations and furniture at the Peterborough location.

Fiscal 2022

As a transfer payment recipient, Kinark has contracts for a number of programs with several ministries. The accounts receivable balance includes amounts owed by partner agencies in the amount of \$2,043,579, as a result of the return of funds from these providers (reflective of surpluses within their programs) and \$127,106 due from the Federal Infrastructure program for the Kinark Outdoor Centre.

4. Credit facility

Kinark has entered into a credit facility, the terms of which include:

- a revolving bank demand credit facility for \$10,000,000, bearing interest at prime less 0.25%. At March 31, 2023, the bank facility had not been drawn upon.
- a commercial letter of credit in the amount of \$344,000 in respect of one of Kinark's leased properties. The amount available under the letter of credit reduces by \$43,000 on December 1 of each year. At March 31, 2023, the letter of credit, in the amount of \$215,000, was undrawn.
- a demand instalment loan in the amount of \$400,000 (note 8).

The facility is secured by a general security agreement.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

5. Property and equipment

	Cost \$	Accumulated Amortization \$	2023 Net \$
Land	1,116,743	-	1,116,743
Computer equipment	5,441,817	5,074,266	367,551
Buildings	5,305,658	2,433,041	2,872,617
Furniture and fixtures	5,911,160	4,230,269	1,680,891
Leasehold improvements	5,398,951	523,846	4,875,105
Computer software	1,843,562	1,755,920	87,642
Vehicles	368,135	240,810	127,325
	<u>25,386,026</u>	<u>14,258,152</u>	<u>11,127,874</u>
	Cost \$	Accumulated Amortization \$	2022 Net \$
Land	1,116,743	-	1,116,743
Computer equipment	5,339,739	4,957,366	382,373
Buildings	5,054,283	2,321,921	2,732,362
Furniture and fixtures	5,826,371	3,828,559	1,997,812
Leasehold improvements	747,231	337,025	410,206
Computer software	1,805,561	1,681,938	123,623
Vehicles	368,135	186,243	181,892
	<u>20,258,063</u>	<u>13,313,052</u>	<u>6,945,011</u>

During the year, property and equipment with a net book value of \$274,697 was disposed of as follows:

- property and equipment with a net book value of \$28,498 (cost of \$37,047 and accumulated amortization of \$8,549) was disposed of for no proceeds resulting in a loss on disposal of \$28,498 being recognized. The loss is recorded in the statement of operations in amortization expense of the CMH Fund.

- property and equipment with a net book value of \$246,199 (cost of \$246,199 and accumulated amortization of nil) was disposed of in a sale-leaseback transaction for proceeds of \$246,199 resulting in no gain or loss being recognized.

During the prior year, land with a cost of \$14,609 was disposed of for cash proceeds of \$233,888 resulting in a gain of \$219,279 which is recorded in other revenue of the CMH Fund in the statement of operations and changes in fund balances.

During fiscal 2021, property and equipment with a net book value of \$398,719 (cost of \$469,081 and accumulated amortization of \$70,362) was disposed of in a sale-leaseback transaction for proceeds of \$469,081 resulting in a gain of \$70,362 which is being recognized over the term of the three year operating lease, commencing October 2020. In the current year, \$23,454 (2022 - \$23,454) of the \$70,362 gain is recorded in other revenue of the CMH Fund in the statement of operations and changes in fund balances and the balance of \$11,727 (2022 - \$35,181) is recorded in the statement of financial position in deferred revenue.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

6. Due to Ministry of Children, Community and Social Services and Ministry of Health

	2023 \$	2022 \$
Balance, beginning of year	10,669,367	7,458,021
Funding received in the current year in excess of the funding spent	14,137,437	6,461,222
Funding repaid in current year	(2,039,433)	(3,249,876)
Balance, end of year	<u>22,767,371</u>	<u>10,669,367</u>

The funding received in the current year in excess of the funding spent is repayable to the Ministry and is recorded as government funding repayable in the statement of operations and changes in fund balances.

In the current year, Kinark received funding in the form of a grant from MCCSS related to the Ontario Autism Program (OAP) Workforce Capacity Fund. The grant in the amount of \$194,091 is recognized in the statement of operations in government funding revenue of the Autism Services Fund. The funding received in excess of the funding spent, in the amount of \$42,208, is included in the funding repayable to MCCSS.

7. Deferred revenue

	Other funding \$	COVID funding \$	2023 Total \$
Deferred revenue, beginning of year	1,758,546	150,000	1,908,546
Funding received during the year	3,901,145	375,547	4,276,692
Funding recognized as revenue in the year	(178,729)	(525,547)	(704,276)
Deferred revenue, end of year	<u>5,480,962</u>	<u>-</u>	<u>5,480,962</u>

	Other funding \$	COVID funding \$	2022 Total \$
Deferred revenue, beginning of year	1,454,325	678,474	2,132,799
Funding received during the year	1,007,760	77,000	1,084,760
Funding recognized as revenue in the year	(703,539)	(605,474)	(1,309,013)
Deferred revenue, end of year	<u>1,758,546</u>	<u>150,000</u>	<u>1,908,546</u>

The funding recognized as revenue in the year is recorded in other contract funding revenue in the statement of operations and changes in fund balances.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

8. Demand instalment loan

Kinark acquired a property in Oshawa to serve as a community hub to fill a regional service gap and effectively serve high risk and high needs mental health and autistic youth.

Kinark financed the property in the amount of \$400,000 through a five year fixed rate demand instalment loan which bears interest at an annual rate of 2.044% and is repayable in monthly blended payments of \$3,688 with the option of making a pre-payment of up to 10% of the original principal amount once per year.

9. Loan payable

	2023	2022
	\$	\$
Construction financing payable, bearing interest at 7% per annum, repayable in monthly blended payments of \$26,630 over the first five years of the term of the Warden Avenue premises lease (note 10)	1,344,870	-
Less current portion	261,261	-
	<u>1,083,609</u>	<u>-</u>
Due beyond one year	1,083,609	-
Annual principal repayments are as follows:	\$	
2024	261,261	
2025	251,673	
2026	269,930	
2027	289,388	
2028	272,618	
	<u>1,344,870</u>	

10. Deferred lease incentives

	Cost	Accumulated Amortization	2023 Net
	\$	\$	\$
Tenant inducements - Peterborough	718,840	-	718,840
Tenant inducements - Warden Avenue	1,100,348	-	1,100,348
	<u>1,819,188</u>	<u>-</u>	<u>1,819,188</u>

Pursuant to the lease agreement for the Peterborough premises of Kinark, entered into during the year, Kinark was entitled to lease incentives, comprised of tenant inducements, in the amount of \$718,840 of which \$287,596 was received in the current year and \$431,244 was receivable at year-end (note 3).

Pursuant to the lease agreement for the Warden Avenue premises of Kinark, entered into during the year, Kinark was entitled to lease incentives, comprised of tenant inducements, up to a maximum amount of \$1,416,050 and construction financing up to a maximum amount of \$1,699,260 for a total maximum improvement limit of \$3,115,310. Based on construction costs incurred to date at year end in the amount of \$2,445,218, Kinark has recognized deferred lease incentives and construction financing payable (note 9), on a pro-rata basis, in the amounts of \$1,100,348 and \$1,344,870, respectively.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

10. Deferred lease incentives (continued)

Amortization of lease incentives will be recognized over the ten year term of the respective leases for the Peterborough premises and Warden Avenue premises, commencing in fiscal 2024.

11. Pension plan

Kinark provides a defined contribution pension plan for its employees. In accordance with the Plan Agreement, employees in the plan may contribute 4%, 5% or 6% of their salary to the plan. Kinark is required to match their contributions. Included in salaries and benefits in the statement of operations and changes in fund balances is \$1,543,656 (2022 - \$1,554,368) of pension plan contributions made by Kinark during the year.

12. General agency

General agency consists of administrative expenses specific to the programs within the funds and corporate and general expenses, not directly related to client service delivery, which are allocated to the programs within the funds based on funding received and usage. The table below details the nature of these expenses.

	Community Mental Health Services \$	Forensics/ Youth Justice Services \$	Autism Services \$	General \$	Total 2023 \$
Salaries and benefits (note 11)	2,818,362	1,269,337	2,356,715	151,500	6,595,914
Clinical, professional and other client	7,830	3,473	6,416	411	18,130
Building occupancy	81,701	53,579	109,937	7,657	252,874
Telephone, technology and equipment	334,643	188,686	373,990	25,376	922,695
Office and general	779,364	117,896	1,454,082	164,744	2,516,086
Staff travel and training	62,984	23,197	39,846	2,380	128,407
Legal, audit and insurance	31,302	20,528	42,120	2,934	96,884
	<u>4,116,186</u>	<u>1,676,696</u>	<u>4,383,106</u>	<u>355,002</u>	<u>10,530,990</u>

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

12. General agency (continued)

	Community Mental Health Services \$	Forensics/ Youth Justice Services \$	Autism Services \$	General \$	Total 2022 \$
Salaries and benefits (note 11)	2,194,913	936,632	2,536,412	178,716	5,846,673
Clinical, professional and other client	6,772	3,936	11,856	848	23,412
Building occupancy	279,277	177,922	548,916	39,396	1,045,511
Telephone, technology and equipment	171,480	97,167	290,533	20,765	579,945
Office and general	751,408	194,147	769,965	328,207	2,043,727
Staff travel and training	76,959	24,931	58,478	4,024	164,392
Legal, audit and insurance	140,878	89,751	276,894	19,873	527,396
	<u>3,621,687</u>	<u>1,524,486</u>	<u>4,493,054</u>	<u>591,829</u>	<u>10,231,056</u>

13. Commitment

Future annual premises lease payments, including an estimate of common area expenses, and other operating lease payments are as follows:

	\$
2024	2,471,279
2025	2,252,916
2026	2,156,582
2027	1,951,976
2028	1,847,128
	<u>10,679,881</u>

14. Contingencies

Kinark is party to legal actions arising in the ordinary course of operations. While it is not feasible to predict the outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the operations of Kinark. Kinark maintains insurance coverage which includes error and omission provisions to mitigate against potential outcomes from these legal proceedings.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

15. Additional information

Kinark has service contracts with MCCSS and MOH. The following is a reconciliation report which summarizes all revenue and expenses and identifies any resulting surplus or deficit that relates to its services contracts.

2023

<u>Line</u>	<u>Kinark MOH \$</u>	<u>Kinark MCCSS \$</u>	<u>Total \$</u>
400 Total Gross Revenues per Audited Financial Statements	116,625,976	116,625,976	
420 Total Approved Ministry Funding	39,465,708	73,748,940	
440 Total Gross Expenditures per audited financial statements	102,706,089	102,706,089	
445 Adjustments for inadmissible expenditures	(982,147)	(982,147)	
456 Less: Other Adjustments for other activities and contracts	(62,258,234)	(27,975,004)	
475 Total Eligible Expenditures	39,465,708	73,748,938	
480 Total Eligible Expenditures	35,694,931	63,382,278	
Balance due to MCCSS and MOH	3,770,777	10,366,660	14,137,437

2022

<u>Line</u>	<u>Kinark MOH \$</u>	<u>Kinark MCCSS \$</u>	<u>Total \$</u>
400 Total Gross Revenues per Audited Financial Statements	106,261,595	106,261,595	
420 Total Approved Ministry Funding	38,237,865	65,351,212	
440 Total Gross Expenditures per audited financial statements	98,681,753	98,681,753	
445 Adjustments for inadmissible expenditures	(807,796)	(807,796)	
456 Less: Other Adjustments for other activities and contracts	(59,636,092)	(32,522,745)	
475 Total Eligible Expenditures	38,237,865	65,351,212	
480 Total Eligible Expenditures	35,975,994	61,197,489	
Balance due to MCCSS and MOH	2,261,871	4,153,723	6,415,594

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2023

16. Comparative figures

The comparative figures of the statement of operations have been reclassified to conform with the current year's presentation. In the prior year, the figures were presented as follows:

	Community Mental Health Services \$	Forensics/ Youth Justice Services \$	Autism Services \$	General \$	Total 2022 \$
Operating revenues					
Government funding	28,672,145	11,921,637	61,447,053	1,548,242	103,589,077
Other contract funding and user fees	1,039,722	-	295,000	1,453,153	2,787,875
Donations and fundraising	-	-	-	1,306	1,306
Other	383,928	-	-	-	383,928
	<u>30,095,795</u>	<u>11,921,637</u>	<u>61,742,053</u>	<u>3,002,701</u>	<u>106,762,186</u>
Operating expenses					
Salaries and benefits	18,857,087	9,553,971	11,593,109	2,356,127	42,360,294
Clinical, professional and other client	427,363	1,317,249	44,589,252	56,077	46,389,941
Building occupancy	2,289,019	102,946	651,456	20,198	3,063,619
Telephone, technology and equipment	2,080,428	143,820	173,407	56,282	2,453,937
General agency	1,854,014	44,926	347,163	298,215	2,544,318
Staff travel and training	338,216	104,429	73,441	43,014	559,100
Legal, audit and insurance	752,583	229,360	21,396	-	1,003,339
Amortization	609,528	96,677	43,776	57,815	807,796
	<u>27,208,238</u>	<u>11,593,378</u>	<u>57,493,000</u>	<u>2,887,728</u>	<u>99,182,344</u>
Excess of revenues over expenses for year	<u>2,887,557</u>	<u>328,259</u>	<u>4,249,053</u>	<u>114,973</u>	<u>7,579,842</u>

The changes do not affect the prior year excess of revenues over expenses.

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