

KINARK CHILD AND FAMILY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2009

KINARK CHILD AND FAMILY SERVICES

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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, 2009 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, 2009 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 15, 2009

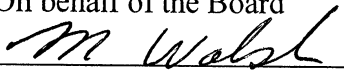
KINARK CHILD AND FAMILY SERVICES


STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

	2009	2008
ASSETS		
Current assets		
Cash on hand and in bank	\$ 2,419,362	\$ 1,142,056
Cash held in trust	-	395,142
Investments	1,340,399	1,289,084
Sundry receivables (Note 4)	1,231,417	795,828
Due from Ministry of Children and Youth Services	133,692	1,344,004
Prepaid expenses and sundry	630,218	524,801
	5,755,088	5,490,915
Capital assets (Note 5)	5,616,492	4,307,846
Deposit on leases	167,670	90,795
	\$ 11,539,250	\$ 9,889,556
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	\$ 4,538,888	\$ 3,105,703
Accrued salaries payable	966,027	1,053,087
Employees payroll deductions payable	470,655	653,261
Deferred special contract revenue	1,362,175	951,396
	7,337,745	5,763,447
Fund balances (Note 2)		
Capital assets fund account	5,616,492	4,307,846
Central East Treatment Programs fund account	(1,651,657)	(418,405)
Central West and Youth Justice Programs fund account	(116,051)	(116,051)
Central East Autism Program ("CEAP") fund account	91,490	121,333
Autism Spectrum Disorder - School Support Program ("ASD-SSP") fund account	(45,706)	(75,551)
Child Care Centres fund account	12,875	12,875
Donations and Fund-Raising fund account	294,062	294,062
	4,201,505	4,126,109
	\$ 11,539,250	\$ 9,889,556

On behalf of the Board





Director

Director

Commitments (Note 6)

Contingency (Note 12)

See accompanying notes to the financial statements

KINARK CHILD AND FAMILY SERVICES

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2009

	Capital Assets Fund		Central East Treatment Programs		Central West and Youth Justice Programs		Autism Services				Child Care Centres		Donations and Fund-Raising		Total	
	2009	2008	2009	2008	2009	2008	CEAP 2009	CEAP 2008	ASD-SSP 2009	ASD-SSP 2008	2009	2008	2009	2008	2009	2008
Operating revenues																
Government funding	\$ -	\$ -	\$ 20,222,815	\$ 19,574,304	\$ 11,474,987	\$ 12,149,987	\$ 22,214,758	\$ 19,611,698	\$ 4,470,000	\$ 4,360,000	\$ -	\$ -	\$ -	\$ -	\$ 58,382,560	\$ 55,695,989
Other contract funding and user fees	-	-	3,386,760	2,912,755	273,000	-	7,000	-	-	-	-	-	-	16,375	3,666,760	2,929,130
Child care	-	-	-	-	-	-	-	-	-	-	1,361,340	1,458,246	-	-	1,361,340	1,458,246
Donations and fund-raising	-	-	103,241	90,990	-	-	-	-	-	-	27	-	1,825	5,971	105,093	96,961
Interest	-	-	121,652	169,534	-	-	-	-	-	-	-	-	8,419	20	130,071	169,554
	-	-	23,834,468	22,747,583	11,747,987	12,149,987	22,221,758	19,611,698	4,470,000	4,360,000	1,361,367	1,458,246	10,244	22,366	63,645,824	60,349,880
Operating costs																
Salaries and benefits (recovered)	-	-	16,165,721	15,358,206	9,099,051	9,838,235	6,506,710	5,386,723	3,680,847	3,149,535	1,134,805	1,227,162	6,785	(1,886)	36,593,919	34,957,975
General agency (recovered)	-	-	1,907,644	1,827,281	72,575	724,876	135,929	(16,836)	54,890	42,337	2,868	51,151	-	3,347	2,173,906	2,632,156
Building occupancy	-	-	1,606,844	1,750,958	610,774	621,013	236,689	255,316	147,068	138,542	102,085	72,236	-	662	2,703,460	2,838,727
Staff travel and training	-	-	1,256,220	1,362,830	249,497	293,039	163,956	228,229	200,337	451,589	4,811	1,932	-	14,025	1,874,821	2,351,644
Clinical, professional and other client	-	-	1,619,469	1,307,446	936,384	527,540	15,065,970	13,522,268	224,797	358,892	109,880	103,616	2,380	60,753	17,958,880	15,880,515
Telephone, technology and equipment	-	-	873,535	818,146	155,179	118,149	83,336	95,744	126,431	125,516	5,996	7,657	1,000	2,291	1,245,477	1,167,503
Legal, audit and insurance (recovered)	-	-	184,014	(161,984)	107,493	17,049	3,685	3,044	-	3,044	922	864	-	-	296,114	(137,983)
Amortization	-	-	372,057	450,675	191,019	67,728	69,601	30,129	72,657	89,851	1,890	2,684	-	3,518	707,224	644,585
Donations and fund-raising service use	-	-	16,548	-	-	-	-	-	-	-	-	-	79	5,725	16,627	5,725
	-	-	24,002,052	22,713,558	11,421,972	12,207,629	22,265,876	19,504,617	4,507,027	4,359,306	1,363,257	1,467,302	10,244	88,435	63,570,428	60,340,847
Excess (deficiency) of revenues over costs for the year	-	-	(167,584)	34,025	326,015	(57,642)	(44,118)	107,081	(37,027)	694	(1,890)	(9,056)	-	(66,069)	75,396	9,033
Fund balances, beginning of the year	4,307,846	4,385,562	(418,405)	(580,211)	(116,051)	(107,760)	121,333	119,175	(75,551)	(75,550)	12,875	19,247	294,062	356,613	4,126,109	4,117,076
Transfer additions to capital assets fund	2,015,870	566,869	(1,437,725)	(322,894)	(517,034)	(18,377)	(55,326)	(135,052)	(5,785)	(90,546)	-	-	-	-	-	-
Transfer amortization to capital assets fund	(707,224)	(644,585)	372,057	450,675	191,019	67,728	69,601	30,129	72,657	89,851	1,890	2,684	-	3,518	-	-
Fund balances, end of the year	\$ 5,616,492	\$ 4,307,846	\$ (1,651,657)	\$ (418,405)	\$ (116,051)	\$ (116,051)	\$ 91,490	\$ 121,333	\$ (45,706)	\$ (75,551)	\$ 12,875	\$ 12,875	\$ 294,062	\$ 294,062	\$ 4,201,505	\$ 4,126,109

See accompanying notes to the financial statements

KINARK CHILD AND FAMILY SERVICES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Cash flows from operating activities		
Excess (deficiency) of revenues over costs - Central East Treatment Programs	\$ (167,584)	\$ 34,025
Excess (deficiency) of revenues over costs - Central West and Youth Justice Programs	326,015	(57,642)
Excess (deficiency) of revenues over costs - CEAP	(44,118)	107,081
Excess (deficiency) of revenues over costs - ASD-SSP	(37,027)	694
Deficiency of revenues over costs - Child Care Centres	(1,890)	(9,056)
Deficiency of revenues over costs - Donations and Fund-Raising	-	(66,069)
Amortization	707,224	644,585
	782,620	653,618
Changes in non-cash working capital balances:		
Sundry receivables	(435,589)	519,295
Due from Ministry of Children and Youth Services	1,210,312	(2,494,532)
Prepaid expenses and sundry	(105,417)	(262,505)
Deposit on leases	(76,875)	-
Accounts payable and accrued liabilities	1,433,186	(1,186,155)
Employees payroll deductions payable	(182,607)	38,369
Accrued salaries payable	(87,060)	(178,733)
Deferred special contract revenue	410,779	117,939
	2,949,349	(2,792,704)
Cash flows from investing activities		
Purchase of capital assets (Note 8(a))	(2,015,870)	(566,869)
Increase in investments	(51,315)	(1,076,445)
	(2,067,185)	(1,643,314)
Increase (decrease) in cash and cash equivalents	882,164	(4,436,018)
Cash and cash equivalents, beginning of the year	1,537,198	5,973,216
Cash and cash equivalents, end of the year (Note 8(b))	2,419,362	1,537,198
Represented by:		
Cash on hand and in bank	2,419,362	1,142,056
Cash held in trust	-	395,142
	\$ 2,419,362	\$ 1,537,198

See accompanying notes to the financial statements

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

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 amount received is recorded as deferred special contract revenue in the Statement of Financial Position.

Future accounting changes

The CICA has issued Accounting Handbook Sections 4400-4470, Not-For-Profit Organizations, which Kinark will be required to adopt for its fiscal year ending March 31, 2010. The implementation of these standards is not expected to have a material impact on the presentation and disclosure of the financial statements.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

1. Significant accounting policies (*continued*)

Change in accounting policy - financial statements

Effective April 1, 2008, Kinark adopted the provisions of Section 1535 Capital Disclosure. In addition, Section 1400 General Standards of Financial Statement Presentation has been amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. Since these Sections only deal with disclosure requirements, there is no impact on Kinark's financial statements as a result of the adoption of these new Standards.

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 revenue and costs during the year. 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.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

1. Significant accounting policies (*continued*)

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.

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 2009, Kinark has determined that no impairment in the carrying value of these assets existed.

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.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

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.

4. Sundry receivables

Included in sundry receivables is a receivable of \$228,067 (\$106,897 for 2008) 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.

5. Capital assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Land	\$ 387,412	\$ -	\$ 387,412	\$ 387,412
Buildings	4,270,630	821,891	3,448,739	2,310,608
Furniture and fixtures	2,604,786	1,438,689	1,166,097	757,094
Vehicles	233,625	220,852	12,773	20,136
Computer equipment	2,949,532	2,374,585	574,947	814,831
Computer software	11,176	-	11,176	-
Leasehold improvements	822,632	807,284	15,348	17,765
	\$ 11,279,793	\$ 5,663,301	\$ 5,616,492	\$ 4,307,846

Amortization expense for the year amounted to \$707,224 (\$644,585 for 2008).

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

6. Lease obligations

Kinark is committed under long-term leases for real property for various periods extending to the year 2014. The minimum lease payments are as follows:

	Equipment	Vehicle	Property	Total
2010	\$ 129,429	\$ 317,073	\$ 1,614,140	\$ 2,060,642
2011	66,912	190,780	1,657,570	1,915,262
2012	10,084	55,715	1,228,344	1,294,143
2013	5,264	11,270	1,082,342	1,098,876
2014	-	-	936,217	936,217
	<u>\$ 211,689</u>	<u>\$ 574,838</u>	<u>\$ 6,518,613</u>	<u>\$ 7,305,140</u>

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 2008 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 \$2,015,870 (2008 - \$566,869).

(b) Cash and cash equivalents

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

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

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 period. 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 \$1,269,621 (2008 - \$1,149,400) of pension plan contributions.

12. Contingency

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.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current financial statement presentation. This has had no effect on the excess (deficiency) of revenues over costs for the year or fund balances.