

# **KINARK CHILD AND FAMILY SERVICES**

## **FINANCIAL STATEMENTS**

**MARCH 31, 2010**

# **KINARK CHILD AND FAMILY SERVICES**

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**MARCH 31, 2010**

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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

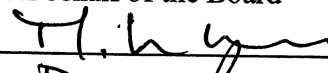
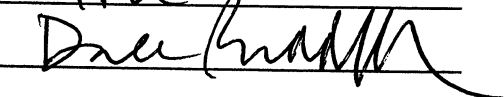
# KINARK CHILD AND FAMILY SERVICES

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2010

	2010	2009
<b>ASSETS</b>		
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
<b>LIABILITIES AND FUND BALANCES</b>		
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		Central West and		Autism Services		Autism Services		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

# KINARK CHILD AND FAMILY SERVICES

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
<b>Cash flows from operating activities</b>		
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
<b>Cash flows from investing activities</b>		
Purchase of capital assets (Note 8(a))	(443,225)	(2,015,870)
Increase in investments	(8,608)	(51,315)
	(451,833)	(2,067,185)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,509,690)</b>	<b>882,164</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>2,419,362</b>	<b>1,537,198</b>
<b>Cash and cash equivalents, end of the year (Note 8(b))</b>	<b>\$ 909,672</b>	<b>\$ 2,419,362</b>

See accompanying notes to the financial statements

# KINARK CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

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### **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, Section 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

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### 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

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**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

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### 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

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### 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](http://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

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### 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 balance sheet 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.