

KINARK CHILD AND FAMILY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2019

HILBORN_{LLP}

Independent Auditor's Report

To the Directors of Kinark Child and Family Services

Report on the Audit of the Financial Statements

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, 2019, 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, 2019, 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 included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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
June 19, 2019



Chartered Professional Accountants
Licensed Public Accountants

KINARK CHILD AND FAMILY SERVICES

Statement of Financial Position

March 31	2019 \$	2018 \$
ASSETS		
Current assets		
Cash	8,010,855	1,991,346
Short-term investments	4,391,882	4,328,338
Accounts receivable	204,964	317,933
Prepaid expenses and deposits	235,843	712,920
Due from Ministry of Children, Community and Social Services	-	390,000
	<u>12,843,544</u>	<u>7,740,537</u>
Property and equipment (note 4)	<u>5,981,229</u>	<u>5,190,491</u>
	<u>18,824,773</u>	<u>12,931,028</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	8,312,820	3,979,730
Accrued salaries payable	2,234,142	2,450,481
Employee payroll deductions payable	180,996	143,779
Government remittances payable	935,394	972,888
Deferred revenue	1,375,707	1,624,182
Due to Ministry of Children, Community and Social Services	1,853,239	160,000
Term loan (note 5)	477,234	-
	<u>15,369,532</u>	<u>9,331,060</u>
FUND BALANCES		
Capital Assets	5,503,995	5,190,491
Community Mental Health Services	(1,808,588)	(1,350,357)
Forensics/Youth Justice Services	(573,708)	(573,708)
Autism Services	360,451	360,451
General	(26,909)	(26,909)
	<u>3,455,241</u>	<u>3,599,968</u>
	<u>18,824,773</u>	<u>12,931,028</u>

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director



KINARK CHILD AND FAMILY SERVICES

Statement of Operations and Changes in Fund Balances

Year ended March 31	Capital Assets		Community Mental Forensics/Youth Justice Services				Autism Services		General		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenues												
Government funding	-	-	26,232,983	24,320,382	15,426,100	15,506,100	66,368,526	49,653,813	1,498,845	1,513,845	109,526,454	90,994,140
Other contract funding and user fees	-	-	1,211,016	1,478,121	22,816	153,020	225,235	269,887	1,581,926	1,653,612	3,040,993	3,554,640
Child care	-	-	-	-	-	-	-	-	1,127,923	1,008,304	1,127,923	1,008,304
Donations and fund-raising	-	-	4,919	40,469	3,789	500	-	3,537	8,340	37,975	17,048	82,481
Other	-	-	197,140	92,203	-	-	-	-	-	-	197,140	92,203
	-	-	27,646,058	25,931,175	15,452,705	15,659,620	66,593,761	49,927,237	4,217,034	4,213,736	113,909,558	95,731,768
Operating expenses												
Salaries and benefits	-	-	18,115,521	17,870,275	13,815,628	13,883,900	11,855,412	11,256,574	3,332,675	3,506,836	47,119,236	46,517,585
Clinical, professional and other client	-	-	224,602	9,316	911,671	980,969	52,567,361	37,592,157	305,225	175,210	54,008,859	38,757,652
Building occupancy	-	-	2,471,466	2,385,472	310,709	326,124	552,100	485,604	161,748	189,813	3,496,023	3,387,013
Telephone, technology and equipment	-	-	2,443,031	2,189,974	64,574	109,623	40,629	111,365	12,617	19,173	2,560,851	2,430,135
General agency	-	-	1,629,248	1,563,353	70,197	144,835	408,847	356,617	303,892	264,520	2,412,184	2,329,325
Staff travel and training	-	-	813,570	653,761	190,929	198,793	223,306	141,019	100,877	57,975	1,328,682	1,051,548
Legal, audit and insurance	-	-	475,753	440,000	76,002	15,376	4,092	(16,098)	-	208	555,847	439,486
Amortization	-	-	648,600	487,275	78,508	96,910	63,624	104,873	135,273	183,778	926,005	872,836
	-	-	26,821,791	25,599,426	15,518,218	15,756,530	65,715,371	50,032,111	4,352,307	4,397,513	112,407,687	95,785,580
Excess (deficiency) of revenues over expenses for year	-	-	824,267	331,749	(65,513)	(96,910)	878,390	(104,874)	(135,273)	(183,777)	1,501,871	(53,812)
Fund balances, beginning of year	5,190,491	5,407,737	(1,350,357)	(1,353,791)	(573,708)	(573,708)	360,451	360,452	(26,909)	(26,910)	3,599,968	3,813,780
Government funding repayable	-	-	(704,584)	(160,000)	-	-	(942,014)	-	-	-	(1,646,598)	(160,000)
Purchase of property and equipment, net of term loan	1,171,743	655,590	(1,158,748)	(655,590)	(12,995)	-	-	-	-	-	-	-
Term loan payments	67,766	-	(67,766)	-	-	-	-	-	-	-	-	-
Amortization	(926,005)	(872,836)	648,600	487,275	78,508	96,910	63,624	104,873	135,273	183,778	-	-
	5,503,995	5,190,491	(1,808,588)	(1,350,357)	(573,708)	(573,708)	360,451	360,451	(26,909)	(26,909)	3,455,241	3,599,968

The accompanying notes are an integral part of these financial statements

KINARK CHILD AND FAMILY SERVICES

Statement of Cash Flows

Year ended March 31	2019 \$	2018 \$
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses for year	1,501,871	(213,812)
Amortization	926,005	872,836
	2,427,876	659,024
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	112,969	(92,492)
Decrease (increase) in prepaid expenses and deposits	(22,923)	45,368
Decrease (increase) in due from Ministry of Children, Community and Social Services	390,000	(390,000)
Increase in accounts payable and accrued liabilities	4,333,090	1,040,105
Increase (decrease) in accrued salaries payable	(216,339)	397,126
Increase (decrease) in employee payroll deductions payable	37,217	(8,294)
Increase (decrease) in government remittances payable	(37,494)	69,482
Decrease in deferred revenue	(248,475)	(2,067,966)
Increase (decrease) in due to Ministry of Children, Community and Social Services	46,641	(42,227)
	6,822,562	(389,874)
Cash flows from investing activities		
Purchase of short-term investments	(3,431,478)	(4,028,411)
Proceeds from disposal of short-term investments	3,367,934	4,747,952
Purchase of property and equipment	(1,216,743)	(655,590)
	(1,280,287)	63,951
Cash flows from financing activities		
Term loan proceeds	545,000	-
Term loan payments	(67,766)	-
	477,234	-
Net change in cash	6,019,509	(325,923)
Cash, beginning of year	1,991,346	2,317,269
Cash, end of year	8,010,855	1,991,346

The accompanying notes are an integral part of these financial statements

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements

March 31, 2019

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").

The Capital Assets Fund comprises the net book value of property and equipment less term loan.

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 and the Autism Spectrum Disorder School Support Program ("ASD SSP").

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2019

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.

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

Government funding consists of restricted contributions from MCCSS.

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

Child care, operated on a cost-recovery basis, is funded through restricted contributions comprised of wage and fee subsidies and user fees.

Donations and fundraising consists of restricted and unrestricted contributions.

Other income consists of interest from cash and short-term investments, recognized on an accrual basis.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2019

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, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, accrued salaries payable, due to MCCSS and mortgage 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, 2019

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 and MCCSS.

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) Short-term investments

Short-term investments consist of fixed-income investments with maturity dates ranging from three to twelve months from date of acquisition.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2019

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.

Significant estimates used in the preparation of these financial statements include the allocation of expenses to various funds.

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	Credit	Liquidity	Risks		
			Currency	Market risk	
				Interest rate	Other price
Cash	X			X	
Short-term investments	X			X	
Accounts receivable	X				
Accounts payable and accrued liabilities		X			
Accrued salaries payable		X			
Due to MCCSS		X			
Term loan		X		X	

Kinark manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its risk management policy. The objective of the policy is to reduce volatility in cash flow and earnings and to safeguard assets. The Board of Directors monitors compliance with risk management policies and reviews risk management policies and procedures on an annual basis.

Kinark does not use derivative financial instruments to manage its risks.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2019

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. Kinark does not hold directly any collateral as security for financial obligations of counterparties.

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

	2019	2018
	\$	\$
Cash	8,010,855	1,991,346
Short-term investments	4,391,882	4,328,338
Accounts receivable	204,964	317,933
Due from MCCSS	-	390,000
	<u>12,607,701</u>	<u>7,027,617</u>

Kinark reduces its exposure to the credit risk of cash and short-term investments by ensuring that these assets are invested in financial obligations of: governments; major financial institutions that have been accorded investment grade ratings by a primary rating agency; and/or other credit-worthy parties. A review is performed periodically to evaluate changes in the status of the issuers of securities authorized for investment under the investment policy of Kinark.

Concentrations of credit risk with respect to short-term investments are mitigated by the credit quality of the governments and major financial institutions issuing the short-term investments.

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.

Kinark meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities, holding assets that can be readily converted into cash, and having available a demand credit facility as detailed in note 3.

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.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2019

2. Financial instrument risk management (continued)

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 are denominated in those currencies, or to source certain purchases, services and capital asset acquisitions internationally.

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 manages the interest rate risk exposure of its investments in guaranteed investment certificates and fixed income investments by having a portfolio with varying terms to maturity. This structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

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. Demand credit facility

A revolving bank demand credit facility is available to Kinark for \$1,000,000. Interest is calculated at prime plus 1.0%. The credit facility is secured by a general security agreement. At March 31, 2019 and 2018, the bank facility had not been drawn upon.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2019

4. Property and equipment

	Cost \$	Accumulated Amortization \$	2019 Net \$
Land	1,432,412	-	1,432,412
Computer equipment	5,121,606	4,416,117	705,488
Buildings	4,457,804	1,979,415	2,478,390
Furniture and fixtures	4,203,115	3,582,120	620,993
Leasehold improvements	222,527	119,278	103,251
Computer software	1,604,398	1,038,435	565,965
Vehicles	144,906	70,175	74,730
	<u>17,186,768</u>	<u>11,205,539</u>	<u>5,981,229</u>
	Cost \$	Accumulated Amortization \$	2018 Net \$
Land	387,412	-	387,412
Computer equipment	5,074,373	4,125,681	948,692
Buildings	4,286,338	1,882,497	2,403,841
Furniture and fixtures	4,073,726	3,457,781	615,945
Leasehold improvements	214,991	87,157	127,834
Computer software	1,320,997	675,417	645,580
Vehicles	112,189	51,002	61,187
	<u>15,470,026</u>	<u>10,279,535</u>	<u>5,190,491</u>

5. Term 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 secured a fixed rate term loan with The Toronto Dominion Bank which bears interest at an annual rate of 4.44% and is repayable in blended monthly payments of \$4,072 with the option of making a pre-payment of up to 10% of the original loan amount once per year up until August 2023 at which point it becomes due.

Under the terms of the agreement, Kinark has pledged a continuing collateral mortgage, on real property located at 1521 Simcoe St North, Oshawa, ON in the principal amount of \$545,000.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2019

6. 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 \$1,637,290 (2018 - \$1,654,194) of pension plan contributions made by Kinark during the year.

7. Commitments

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

	\$
2020	3,132,525
2021	2,839,523
2022	1,794,590
2023	1,826,801
2024	727,951
	<u>10,321,390</u>

8. 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, 2019

9. Additional information

Kinark has service contracts with MCCSS. 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.

2019

<u>Line</u>	<u>Kinark Central</u>	<u>Kinark East</u>
400 Total Gross Revenues per Audited Financial Statements	113,909,558	113,909,558
420 Total Approved Ministry Funding	96,380,082	13,146,372
440 Total Gross Expenditures per audited financial statements	112,407,687	112,407,687
445 Adjustments for inadmissible expenditures	(926,005)	(926,005)
456 Less: Other Adjustments for other activities and contracts	(15,101,600)	(98,335,310)
475 Total Eligible Expenditures	96,380,082	13,146,372
480 Total Eligible Expenditures	94,875,706	12,891,508
Balance due to MCCSS	1,504,376	254,864

2018

<u>Line</u>	<u>Kinark Central</u>	<u>Kinark East</u>
400 Total Gross Revenues per Audited Financial Statements	95,571,768	95,571,768
420 Total Approved Ministry Funding	62,158,907	12,334,959
440 Total Gross Expenditures per audited financial statements	95,785,580	95,785,580
445 Adjustments for inadmissible expenditures	(872,836)	(872,836)
456 Less: Other Adjustments for other activities and contracts	(32,753,837)	(82,577,787)
475 Total Eligible Expenditures	62,158,907	12,334,957
480 Total Eligible Expenditures	62,158,907	12,331,522
Balance due to MCCSS	-	3,435

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