

KINARK CHILD AND FAMILY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2022

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, 2022, 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, 2022, 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.

A handwritten signature in black ink that reads "Hilborn LLP".

Toronto, Ontario
June 22, 2022

Chartered Professional Accountants
Licensed Public Accountants


KINARK CHILD AND FAMILY SERVICES

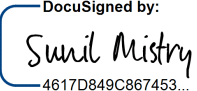
Statement of Financial Position

March 31	2022 \$	2021 \$
ASSETS		
Current assets		
Cash	16,031,911	12,209,026
Accounts receivable (note 3)	2,392,512	263,629
Prepaid expenses and deposits	248,530	155,776
Due from Ministry of Children, Community and Social Services and Ministry of Health	677,884	2,097,493
	19,350,837	14,725,924
Property and equipment (note 5)	6,945,011	6,094,883
	26,295,848	20,820,807
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	6,838,566	4,735,332
Accrued salaries payable	2,517,151	2,505,776
Employee payroll deductions payable	120,953	164,564
Government remittances payable	329,741	429,322
Due to Ministry of Children, Community and Social Services and Ministry of Health (note 6)	10,669,367	7,458,021
Deferred revenue (note 7)	970,983	1,718,813
Demand instalment loan (note 8)	220,146	298,658
	21,666,907	17,310,486
FUND BALANCES		
Capital Assets	6,724,864	5,796,225
Community Mental Health Services	(1,867,073)	(2,045,902)
Forensics/Youth Justice Services	(573,605)	(573,605)
Autism Services	360,451	360,451
General	(15,696)	(26,848)
	4,628,941	3,510,321
	26,295,848	20,820,807

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director 
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Director 
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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		2022	General 2021	Total 2022	Total 2021
	2022	2021	2022	2021	2022	2021	2022	2021				
	\$	\$	\$	\$	\$	\$	\$	\$				
Operating revenues												
Government funding	-	-	28,672,145	27,404,453	11,921,637	15,798,300	61,447,053	51,045,149	1,548,242	1,542,445	103,589,077	95,790,347
Other contract funding and user fees (note 7)	-	-	1,039,722	1,754,846	-	595,574	295,000	-	1,453,153	1,228,556	2,787,875	3,578,976
Child care	-	-	-	-	-	-	-	-	-	474,332	-	474,332
Donations and fund-raising	-	-	-	540	-	-	-	-	1,306	471	1,306	1,011
Other (note 5)	-	-	383,928	11,963	-	-	-	-	-	-	383,928	11,963
	-	-	30,095,795	29,171,802	11,921,637	16,393,874	61,742,053	51,045,149	3,002,701	3,245,804	106,762,186	99,856,629
Operating expenses												
Salaries and benefits (note 9)	-	-	18,857,087	19,307,876	9,553,971	13,408,225	11,593,109	10,817,719	2,356,127	2,751,275	42,360,294	46,285,095
Clinical, professional and other client	-	-	427,363	591,516	1,317,249	1,027,184	44,589,252	37,588,898	56,077	29,248	46,389,941	39,236,846
Building occupancy	-	-	2,289,019	2,879,312	102,946	427,080	651,456	592,652	20,198	131,573	3,063,619	4,030,617
Telephone, technology and equipment	-	-	2,080,428	1,764,300	143,820	184,821	173,407	160,492	56,282	85,118	2,453,937	2,194,731
General agency	-	-	1,854,014	1,340,728	44,926	203,729	347,163	317,985	298,215	146,713	2,544,318	2,009,155
Staff travel and training	-	-	338,216	472,877	104,429	105,469	73,441	65,800	43,014	17,237	559,100	661,383
Legal, audit and insurance	-	-	752,583	695,315	229,360	238,871	21,396	96,683	-	2,869	1,003,339	1,033,738
Amortization	-	-	609,528	624,117	96,677	80,463	43,776	30,429	57,815	88,734	807,796	823,743
	-	-	27,208,238	27,676,041	11,593,378	15,675,842	57,493,000	49,670,658	2,887,728	3,252,767	99,182,344	96,275,308
Excess (deficiency) of revenues over expenses for year	-	-	2,887,557	1,495,761	328,259	718,032	4,249,053	1,374,491	114,973	(6,963)	7,579,842	3,581,321
Fund balances, beginning of year	5,796,225	6,124,101	(2,045,902)	(1,837,395)	(573,605)	(573,708)	360,451	360,451	(26,848)	(26,909)	3,510,321	4,046,540
Government funding repayable (note 6)	-	-	(2,275,276)	(2,217,435)	(185,433)	(521,222)	(3,954,885)	(1,359,262)	(45,628)	(19,621)	(6,461,222)	(4,117,540)
Purchase of property and equipment	1,672,532	744,818	(979,077)	(359,901)	(239,503)	(277,170)	(337,944)	(45,658)	(116,008)	(62,089)	-	-
Net book value of property and equipment disposed of	(14,609)	(398,720)	14,609	398,720	-	-	-	-	-	-	-	-
Loan payments	78,512	149,769	(78,512)	(149,769)	-	-	-	-	-	-	-	-
Amortization	(807,796)	(823,743)	609,528	624,117	96,677	80,463	43,776	30,429	57,815	88,734	-	-
Fund balances, end 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

KINARK CHILD AND FAMILY SERVICES

Statement of Cash Flows

Year ended March 31	2022 \$	2021 \$
Cash flows from operating activities		
Excess of revenues over expenses for year	7,579,842	3,581,321
Amortization	807,796	823,743
Gain on disposal of property and equipment and sale-leaseback	(242,733)	(11,727)
	8,144,905	4,393,337
Changes in non-cash working capital balances		
Decrease (increase) in prepaid expenses and deposits	(92,754)	41,244
Decrease (increase) in due from Ministry of Children, Community and Social Services and Ministry of Health	1,419,609	(1,003,999)
Increase (decrease) in accounts payable and accrued liabilities	2,103,234	(193,323)
Increase (decrease) in accrued salaries payable	11,375	(101,291)
Increase (decrease) in employee payroll deductions payable	(43,611)	16,980
Increase (decrease) in government remittances payable	(99,581)	69,620
Increase (decrease) in deferred revenue	(724,376)	709,857
Decrease in due to Ministry of Children, Community and Social Services and Ministry of Health	(3,249,876)	(600,491)
Decrease (increase) in accounts receivable	(2,128,884)	104,756
	5,340,041	3,436,690
Cash flows from investing activities		
Purchase of property and equipment	(1,672,532)	(744,818)
Proceeds from disposal of short-term investments	-	1,764,914
Proceeds on disposal of property and equipment	233,888	469,081
	(1,438,644)	1,489,177
Cash flows from financing activities		
Demand instalment loan payments	(78,512)	(149,769)
Net change in cash	3,822,885	4,776,098
Cash, beginning of year	12,209,026	7,432,928
Cash, end of year	16,031,911	12,209,026

The accompanying notes are an integral part of these financial statements

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements

March 31, 2022

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.

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, Child Care and other programs.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2022

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.

Child care is funded through restricted contributions comprised of wage and fee subsidies received from various funding agencies and user fees.

Donations and fundraising consists of restricted and unrestricted contributions recognized as revenue upon receipt.

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, 2022

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 and demand instalment loan.

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, 2022

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.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2022

1. Significant accounting policies (continued)

(e) 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.

(f) 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	

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 CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2022

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:

	2022	2021
	\$	\$
Cash	16,031,911	12,209,026
Accounts receivable	2,392,512	263,629
Due from MCCSS and MOH	677,884	2,097,493
	<u>19,102,307</u>	<u>14,570,148</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 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, 2022

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

As a transfer payment recipient, Kinark has contracts for a number of programs with several ministries. The accounts receivable balance reflects 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) for the current fiscal year. In addition, there is a receivable of \$127,106 due from the Federal Infrastructure program for the Kinark Outdoor Centre, due to Kinark but not received by year-end.

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, 2022, 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, 2022, the letter of credit in the amount of \$258,000 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, 2022

5. Property and equipment

	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>
	Cost \$	Accumulated Amortization \$	2021 Net \$
Land	1,131,352	-	1,131,352
Computer equipment	5,315,580	4,799,961	515,619
Buildings	4,924,041	2,211,145	2,712,896
Furniture and fixtures	4,434,987	3,643,071	791,916
Leasehold improvements	620,484	211,946	408,538
Computer software	1,805,561	1,530,845	274,716
Vehicles	368,135	108,289	259,846
	<u>18,600,140</u>	<u>12,505,257</u>	<u>6,094,883</u>

During the 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 the prior year, 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 (2021 - \$11,727) 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 \$35,181 (2021 - \$58,635) is recorded in the statement of financial position in deferred revenue.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2022

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

	2022 \$	2021 \$
Balance, beginning of year	7,458,021	3,940,974
Funding received in the current year in excess of the funding spent	6,461,222	4,117,540
Funding repaid in current year	(3,249,876)	(600,493)
Balance, end of year	<u>10,669,367</u>	<u>7,458,021</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.

7. Deferred revenue

	Other funding \$	COVID funding \$	2022 Total \$
Deferred revenue, beginning of year	1,040,339	678,474	1,718,813
Funding received during the year	484,183	77,000	561,183
Funding recognized as revenue in the year	(703,539)	(605,474)	(1,309,013)
Deferred revenue, end of year	<u>820,983</u>	<u>150,000</u>	<u>970,983</u>

	Other funding \$	COVID funding \$	2021 Total \$
Deferred revenue, beginning of year	950,322	-	950,322
Funding received during the year	1,232,843	3,105,360	4,338,203
Funding recognized as revenue in the year	(1,142,826)	(2,426,886)	(3,569,712)
Deferred revenue, end of year	<u>1,040,339</u>	<u>678,474</u>	<u>1,718,813</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, 2022

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. 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 \$1,554,368 (2021 - \$1,670,379) of pension plan contributions made by Kinark during the year.

10. Commitment

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

	\$
2023	2,323,766
2024	2,637,792
2025	2,569,663
2026	2,626,339
2027	2,683,038
	<u>12,840,598</u>

11. 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.

12. COVID 19

The global pandemic of the virus known as COVID-19 has led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing, and closing non-essential businesses. Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the future financial effect, if any, on Kinark.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2022

13. 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.

2022

<u>Line</u>	<u>Kinark Central</u>	<u>Kinark East</u>
400 Total Gross Revenues per Audited Financial Statements	106,762,186	106,762,186
420 Total Approved Ministry Funding	89,147,078	14,441,999
440 Total Gross Expenditures per audited financial statements	99,182,344	99,182,344
445 Adjustments for inadmissible expenditures	(807,796)	(807,796)
456 Less: Other Adjustments for other activities and contracts	(9,227,470)	(83,932,549)
475 Total Eligible Expenditures	89,147,078	14,441,999
480 Total Eligible Expenditures	83,511,486	13,661,997
Balance due to MCCSS and MOH	5,635,592	780,002

2021

<u>Line</u>	<u>Kinark Central</u>	<u>Kinark East</u>
400 Total Gross Revenues per Audited Financial Statements	99,856,629	99,856,629
420 Total Approved Ministry Funding	81,973,247	13,817,100
440 Total Gross Expenditures per audited financial statements	96,275,308	96,275,308
445 Adjustments for inadmissible expenditures	(823,743)	(823,743)
456 Less: Other Adjustments for other activities and contracts	(13,478,318)	(81,634,465)
475 Total Eligible Expenditures	81,973,247	13,817,100
480 Total Eligible Expenditures	79,121,172	12,571,256
Balance due to MCCSS and MOH	2,852,075	1,245,844

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