

KINARK CHILD AND FAMILY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2024

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, 2024, 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, 2024, 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.

We obtained the annual report prior to the date of our auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in our auditor's report. 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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Kinark.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kinark to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Kinark to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Toronto, Ontario
July 4, 2024

Chartered Professional Accountants
Licensed Public Accountants

KINARK CHILD AND FAMILY SERVICES

Statement of Financial Position

March 31	2024 \$	2023 \$
ASSETS		
Current assets		
Cash	34,971,178	31,267,027
Accounts receivable (note 3)	667,523	1,203,534
Prepaid expenses and deposits	189,872	287,476
Due from Ministry of Children, Community and Social Services and Ministry of Health	3,379,458	439,372
	39,208,031	33,197,409
Property and equipment (note 5)	12,894,171	11,127,874
	52,102,202	44,325,283
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,664,010	6,108,506
Accrued salaries payable	4,293,525	1,832,565
Employee payroll deductions payable	23,210	4,167
Government remittances payable	577,357	416,334
Due to Ministry of Children, Community and Social Services and Ministry of Health (note 6)	23,793,265	22,767,371
Deferred revenue (note 7)	2,381,478	5,480,962
Demand instalment loan (note 8)	58,138	139,929
Current portion of loan payable (note 9)	317,981	261,261
	36,108,964	37,011,095
Loan payable (note 9)	1,051,237	1,083,609
Deferred lease incentives (note 10)	1,921,401	1,819,188
	2,972,638	2,902,797
	39,081,602	39,913,892
FUND BALANCES		
Capital Assets	9,545,413	7,823,886
Community Mental Health Services	(2,739,912)	(2,806,178)
Forensics/Youth Justice Services	(899,604)	(945,304)
Autism Services	7,108,627	366,560
General	6,076	(27,573)
	13,020,600	4,411,391
	52,102,202	44,325,283

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Morlan Reddock

Morlan Reddock
Director

M. Sharon Cochran

Sharon Cochran
Director

KINARK CHILD AND FAMILY SERVICES

Statement of Operations and Changes in Fund Balances

Year ended March 31	Capital Assets		Community Mental Health Services		Forensics/Youth Justice Services		Autism Services		General	Total	Total	
	2024	2023	2024	2023	2024	2023	2024	2023				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Operating revenues												
Government funding	-	-	29,822,663	30,047,004	12,671,900	11,917,033	36,446,259	69,751,811	1,665,840	1,498,800	80,606,662	113,214,648
Other contract funding and user fees (note 7)	-	-	747,758	313,092	-	573,440	2,576,654	1,554,515	1,685,208	937,245	5,009,620	3,378,292
Fee For Service	-	-	-	-	-	-	5,332,855	-	-	-	5,332,855	-
Other	-	-	406,914	92,563	180,457	45,321	1,784,197	92,993	44,941	16,058	2,416,509	246,935
	-	-	30,977,335	30,452,659	12,852,357	12,535,794	46,139,965	71,399,319	3,395,989	2,452,103	93,365,646	116,839,875
Operating expenses												
Salaries and benefits (note 11)	-	-	19,064,850	17,920,198	7,143,983	7,259,358	14,061,552	10,798,377	2,193,411	1,923,971	42,463,796	37,901,904
Clinical, professional and other client	-	-	851,915	1,258,432	1,516,191	1,739,767	11,147,663	44,134,829	82,628	20,649	13,598,397	47,153,677
Building occupancy	-	-	1,301,632	1,641,611	189,119	304,842	1,256,077	968,658	72,291	76,922	2,819,119	2,992,033
Telephone, technology and equipment	-	-	1,150,023	874,482	247,758	155,452	1,339,103	463,839	198,833	19,958	2,935,717	1,513,731
General agency (note 12)	-	-	5,603,888	4,185,295	1,928,828	1,722,017	7,079,959	4,476,099	727,678	361,478	15,340,353	10,744,889
Staff travel and training	-	-	305,056	309,019	130,779	104,387	276,316	146,973	76,652	53,336	788,803	613,715
Legal, audit and insurance	-	-	72,483	893,153	144,446	7,911	72,572	116,828	5,848	-	295,349	1,017,892
Amortization (note 5)	-	-	858,139	665,131	236,887	96,637	144,083	93,881	90,928	126,498	1,330,037	982,147
	-	-	29,207,986	27,747,321	11,537,991	11,390,371	35,377,325	61,199,484	3,448,269	2,582,812	79,571,571	102,919,988
Excess (deficiency) of revenues over expenses for year	-	-	1,769,349	2,705,338	1,314,366	1,145,423	10,762,640	10,199,835	(52,280)	(130,709)	13,794,075	13,919,887
Fund balances, beginning of year	7,823,886	6,724,864	(2,806,178)	(1,867,073)	(945,304)	(573,605)	366,560	360,451	(27,573)	(15,696)	4,411,391	4,628,941
Government funding repayable (note 6)	-	-	(1,614,093)	(3,486,072)	(400,294)	(532,894)	(3,170,479)	(10,118,471)	-	-	(5,184,866)	(14,137,437)
Purchase of property and equipment, net of tenant inducements and loan payable	2,426,242	2,247,151	(749,496)	(989,484)	(1,085,186)	(1,080,865)	(591,560)	(169,136)	-	(7,666)	-	-
Net book value of property and equipment disposed of (note 5)	-	(274,697)	-	274,697	-	-	-	-	-	-	-	-
Amortization of deferred lease incentives	213,489	-	(85,081)	-	(6,027)	-	(120,880)	-	(1,501)	-	-	-
Demand loan and loan payments	411,833	80,217	(112,552)	(80,217)	(14,046)	-	(281,737)	-	(3,498)	-	-	-
Amortization	(1,330,037)	(953,649)	858,139	636,633	236,887	96,637	144,083	93,881	90,928	126,498	-	-
Fund balances, end of year	9,545,413	7,823,886	(2,739,912)	(2,806,178)	(899,604)	(945,304)	7,108,627	366,560	6,076	(27,573)	13,020,600	4,411,391

The accompanying notes are an integral part of these financial statements

KINARK CHILD AND FAMILY SERVICES

Statement of Cash Flows

Year ended March 31	2024 \$	2023 \$
Cash flows from operating activities		
Excess of revenues over expenses for year	13,794,075	13,919,887
Adjustments to determine net cash provided by (used in) operating activities		
Amortization	1,330,037	982,147
Gain on sale-leaseback	(11,727)	(23,454)
Amortization of deferred lease incentives	(213,489)	-
	14,898,896	14,878,580
Changes in non-cash working capital balances		
Decrease in accounts receivable	536,011	1,866,421
Decrease (increase) in prepaid expenses and deposits	97,604	(38,946)
Decrease (increase) in due from Ministry of Children, Community and Social Services and Ministry of Health	(2,940,086)	238,512
Decrease in accounts payable and accrued liabilities	(1,444,496)	(369,307)
Increase (decrease) in accrued salaries payable	2,460,960	(684,586)
Increase (decrease) in employee payroll deductions payable	19,043	(116,786)
Increase in government remittances payable	161,023	86,593
Increase (decrease) in deferred revenue	(3,087,757)	3,595,870
Funding repaid to Ministry of Children, Community and Social Services and Ministry of Health	(4,158,972)	(2,039,433)
	6,542,226	17,416,918
Cash flows from investing activities		
Purchase of property and equipment	(2,426,242)	(2,389,181)
Receipt of lease incentives - tenant inducements	-	287,596
	(2,426,242)	(2,101,585)
Cash flows from financing activities		
Demand instalment loan payments	(81,791)	(80,217)
Loan payable payments	(330,042)	-
	(411,833)	(80,217)
Net change in cash	3,704,151	15,235,116
Cash, beginning of year	31,267,027	16,031,911
Cash, end of year	34,971,178	31,267,027
Supplementary Disclosure of Non-cash Transactions		
	2024 \$	2023 \$
Purchase of capital assets	670,092	2,445,218
Receipt of lease incentives - tenant inducements (note 10)	315,702	1,100,348
Receipt of construction financing (note 10)	354,390	1,344,870
	670,092	2,445,218

The accompanying notes are an integral part of these financial statements

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements

March 31, 2024

Nature and description of the organization

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

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

1. Significant accounting policies

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

(a) Fund accounting

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

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

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

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

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

The Autism Services Fund captures operations relating to the Ontario Autism Program, the Autism Spectrum Disorder School Support Program ("ASD SSP"), the York Simcoe Autism Network ("YSAN") and to the delivery of fee for service client-based services.

The General Fund includes CMH Lead Agency responsibilities and other programs.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

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.

Autism fee for service revenue is recognized when the service is rendered. Fees received in advance of the services being rendered are recorded as deferred revenue.

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

1. Significant accounting policies (continued)

(c) Financial instruments

Measurement of financial assets and liabilities

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

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

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

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

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

Impairment

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

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

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

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and

- the amount that could be realized by selling the financial asset at the statement of financial position date.

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

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

1. Significant accounting policies (continued)

(d) Property and equipment

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

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

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

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

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

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

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

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

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

(e) Deferred lease incentives

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

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

1. Significant accounting policies (continued)

(f) Management estimates

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

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

(g) Donated services

The work of Kinark is dependent on the voluntary service of many individuals. Since these services are not normally purchased by Kinark and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

2. Financial instrument risk management

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

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

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

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:

	2024	2023
	\$	\$
Cash	34,971,178	31,267,027
Accounts receivable	667,523	1,203,534
Due from MCCSS and MOH	3,379,458	439,372
	<u>39,018,159</u>	<u>32,909,933</u>

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

Liquidity risk

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

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

Market risk

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

Currency risk

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

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

Interest rate risk

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

2. Financial instrument risk management (continued)

Other price risk

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

Kinark is not exposed to other price risk.

Changes in risk

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

3. Accounts receivable

Fiscal 2024

The accounts receivable balance includes \$325,047 that is related to the settlement of Autism subcontracting agreements with partner agencies and \$250,296 receivable from a Federal agency in connection with providing payment on behalf of certain Autism clients.

Fiscal 2023

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

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 each March 31, 2024 and March 31, 2023, the bank facility had not been drawn upon.
- a commercial letter of credit in the amount of \$344,000 in respect of one of Kinark's leased properties. The amount available under the letter of credit reduces by \$43,000 on December 1 of each year. At March 31, 2024, the letter of credit, in the amount of \$172,000, 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, 2024

5. Property and equipment

	Cost \$	Accumulated Amortization \$	2024 Net \$
Land	1,116,743	-	1,116,743
Computer equipment	5,773,999	5,218,208	555,791
Buildings	5,690,303	2,551,402	3,138,901
Furniture and fixtures	6,493,857	4,578,871	1,914,986
Leasehold improvements	7,195,762	1,156,574	6,039,188
Computer software	1,843,562	1,804,128	39,434
Vehicles	368,135	279,007	89,128
	<u>28,482,361</u>	<u>15,588,190</u>	<u>12,894,171</u>
	Cost \$	Accumulated Amortization \$	2023 Net \$
Land	1,116,743	-	1,116,743
Computer equipment	5,441,817	5,074,266	367,551
Buildings	5,305,658	2,433,041	2,872,617
Furniture and fixtures	5,911,160	4,230,269	1,680,891
Leasehold improvements	5,398,951	523,846	4,875,105
Computer software	1,843,562	1,755,920	87,642
Vehicles	368,135	240,810	127,325
	<u>25,386,026</u>	<u>14,258,152</u>	<u>11,127,874</u>

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

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

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

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

	2024 \$	2023 \$
Balance, beginning of year	22,767,371	10,669,367
Funding received in the current year in excess of the funding spent	5,184,866	14,137,437
Funding repaid in current year	(4,158,972)	(2,039,433)
Balance, end of year	<u>23,793,265</u>	<u>22,767,371</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 \$	2024 Total \$
Deferred revenue, beginning of year	5,480,962	-	5,480,962
Funding received during the year	3,690,432	-	3,690,432
Funding recognized as revenue in the year	(6,789,916)	-	(6,789,916)
Deferred revenue, end of year	<u>2,381,478</u>	<u>-</u>	<u>2,381,478</u>

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

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

8. Demand instalment loan

Kinark acquired, in a prior year, 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.

The amount owing on the loan at March 31, 2024 is \$58,138 (2023 - \$139,929).

9. Loan payable

Construction financing payable, bearing interest at 7% per annum, repayable in monthly blended payments of \$33,647, due March 2028.

	2024	2023
	\$	\$
Balance, beginning of year	1,344,870	-
Advances	354,390	1,344,870
Repayments	(330,042)	-
Balance end of year	<u>1,369,218</u>	<u>1,344,870</u>
Balance, end of year	1,369,218	1,344,870
Less: current portion	<u>317,981</u>	<u>261,261</u>
Due beyond one year	<u>1,051,237</u>	<u>1,083,609</u>

Annual principal repayments are as follows:

	\$
2025	317,981
2026	341,095
2027	365,642
2028	<u>344,500</u>
	<u>1,369,218</u>

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

10. Deferred lease incentives

	Cost	Accumulated	2024
	\$	Amortization	Net
		\$	\$
Tenant inducements - Peterborough	718,840	71,884	646,956
Tenant inducements - Warden Avenue	1,416,050	141,605	1,274,445
	<u>2,134,890</u>	<u>213,489</u>	<u>1,921,401</u>

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

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

Pursuant to the lease agreement for the Warden Avenue premises of Kinark, entered into during the prior year, Kinark was entitled to lease incentives, comprised of tenant inducements, up to a maximum amount of \$1,416,050 and construction financing up to a maximum amount of \$1,699,260 for a total maximum improvement limit of \$3,115,310. Based on construction costs incurred to March 31, 2023 in the amount of \$2,445,218, Kinark recognized deferred lease incentives and construction financing payable (note 9), on a pro-rata basis, in the amounts of \$1,100,348 and \$1,344,870, respectively at March 31, 2023. In the current year, Kinark has recognized deferred lease incentives and construction financing payable, on a pro-rata basis, in the amounts of \$315,702 and \$354,390, respectively, up to the total maximum improvement limit.

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

11. Pension plan

Kinark provides a defined contribution pension plan for its employees. In accordance with the Plan Agreement, employees in the plan may contribute 4%, 5% or 6% of their salary to the plan. Kinark is required to match their contributions. Included in salaries and benefits and general agency in the statement of operations and changes in fund balances is \$1,564,902 (2023 - \$1,543,656) of pension plan contributions made by Kinark during the year.

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

12. General agency

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

	Community Mental Health Services	Forensics/ Youth Justice Services	Autism Services	General	Total 2024
	\$	\$	\$	\$	\$
Salaries and benefits (note 11)	3,802,148	1,335,815	4,656,098	324,342	10,118,402
Clinical, professional and other client	10,359	2,281	4,853	704	18,198
Building occupancy	221,431	101,114	246,232	25,181	593,958
Telephone, technology and equipment	227,531	77,889	283,848	17,893	607,161
Office and general	1,108,879	310,279	1,655,757	336,136	3,411,052
Staff travel and training	103,635	42,313	89,416	8,748	244,112
Legal, audit and insurance	129,904	59,137	143,756	14,673	347,470
	5,603,888	1,928,828	7,079,959	727,678	15,340,353
	\$	\$	\$	\$	\$
	Community Mental Health Services	Forensics/ Youth Justice Services	Autism Services	General	Total 2023
	\$	\$	\$	\$	\$
Salaries and benefits (note 11)	2,818,362	1,269,337	2,356,715	151,500	6,595,914
Clinical, professional and other client	7,830	3,473	6,416	411	18,130
Building occupancy	81,701	53,579	109,937	7,657	252,874
Telephone, technology and equipment	334,643	188,686	373,990	25,376	922,695
Office and general	848,473	163,217	1,547,075	171,220	2,729,985
Staff travel and training	62,984	23,197	39,846	2,380	128,407
Legal, audit and insurance	31,302	20,528	42,120	2,934	96,884
	4,185,295	1,722,017	4,476,099	361,478	10,744,889
	\$	\$	\$	\$	\$

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

13. Commitments

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

	<u>\$</u>
2025	3,047,550
2026	2,772,461
2027	2,350,507
2028	2,184,842
2029	1,615,591
	<u>11,970,951</u>

14. Contingencies

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

KINARK CHILD AND FAMILY SERVICES

Notes to Financial Statements (continued)

March 31, 2024

15. Additional information

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

2024

<u>Line</u>	<u>Kinark MOH \$</u>	<u>Kinark MCCSS \$</u>	<u>Total \$</u>
400 Total Gross Revenues per Audited Financial Statements	93,365,646	93,365,646	
420 Total Approved Ministry Funding	41,316,221	39,290,441	
440 Total Gross Expenditures per audited financial statements	79,571,571	79,571,571	
445 Adjustments for inadmissible expenditures	(1,330,037)	(1,330,037)	
456 Less: Other Adjustments for other activities and contracts	(38,718,897)	(42,342,375)	
475 Total Eligible Expenditures	39,522,637	35,899,159	
480 Total Eligible Expenditures	39,522,637	35,899,159	
Balance due to MCCSS and MOH	1,793,584	3,391,282	5,184,866

2023

<u>Line</u>	<u>Kinark MOH \$</u>	<u>Kinark MCCSS \$</u>	<u>Total \$</u>
400 Total Gross Revenues per Audited Financial Statements	116,839,875	116,839,875	
420 Total Approved Ministry Funding	39,465,708	73,748,940	
440 Total Gross Expenditures per audited financial statements	102,919,988	102,919,988	
445 Adjustments for inadmissible expenditures	(982,147)	(982,147)	
456 Less: Other Adjustments for other activities and contracts	(66,242,910)	(38,555,563)	
475 Total Eligible Expenditures	35,694,931	63,382,278	
480 Total Eligible Expenditures	35,694,931	63,382,278	
Balance due to MCCSS and MOH	3,770,777	10,366,660	14,137,437

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