

KINARK CHILD & FAMILY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2013

KINARK CHILD & FAMILY SERVICES

INDEX TO FINANCIAL STATEMENTS

MARCH 31, 2013

INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5 - 13

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Kinark Child & Family Services:

We have audited the accompanying financial statements of **Kinark Child & Family Services** which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in fund balances and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

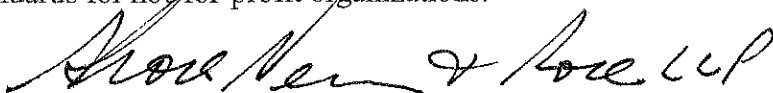
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Kinark Child and Family Services** as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Licensed Public Accountants

June 3, 2013

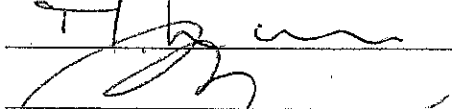
KINARK CHILD & FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2013, MARCH 31, 2012 AND APRIL 1, 2011

	2013	2012	April 1, 2011
ASSETS			
Current assets			
Cash on hand and in bank	\$ -	\$ 644,218	\$ 1,527,586
Investments (Note 5)	711,273	527,215	941,721
Sundry receivables (Note 6)	567,571	513,387	912,458
Due from Ministry of Children and Youth Services	-	466,638	-
Prepaid expenses and sundry	871,972	696,878	913,960
	2,150,816	2,848,336	4,295,725
Capital assets (Note 7)	5,350,805	5,795,178	5,499,010
Investments (Note 5)	716,726	870,047	428,421
Deposit on leases	108,717	103,717	103,717
	\$ 8,327,064	\$ 9,617,278	10,326,873
LIABILITIES AND FUND BALANCES			
Liabilities			
Bank indebtedness (Note 8)	\$ 988,554	\$ -	\$ -
Accounts payable and accrued liabilities	2,164,545	3,030,704	3,088,850
Accrued salaries payable	1,093,967	1,103,650	1,629,014
Employees payroll deductions payable	271,337	573,600	592,069
Government remittances	134,846	164,028	97,597
Deferred special contract revenue	464,902	907,362	930,430
	5,118,151	5,779,344	6,337,960
Fund balances (Note 3)			
Capital Assets fund account	5,350,805	5,795,178	5,499,010
Central East Treatment Programs fund account	(1,706,983)	(1,521,115)	(1,519,638)
Central West Region Programs fund account	(510,940)	(512,114)	(46,420)
Central Region Programs fund account	(51,081)	(51,081)	(69,629)
Central East Autism Program ("CEAP") fund account	85,292	160,015	160,015
Autism Spectrum Disorder - School Support Program ("ASD-SSP") fund account	29,014	(45,707)	(45,706)
Child Care Centres fund account	12,806	12,758	11,281
	3,208,913	3,837,934	3,988,913
	\$ 8,327,064	\$ 9,617,278	\$ 10,326,873

On behalf of the Board



Director

Director

Commitments (Note 9)

Guarantees (Note 12)

Contingencies (Note 13)

KINARK CHILD & FAMILY SERVICES

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

	Capital Assets Fund		Central East Treatment Programs		Central West Region		Central Region		Autism Services CEAP		Autism Services ASD-SSP		Child Care Centres		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Operating revenues																
Government funding	\$ -	\$ -	\$ 22,190,538	\$ 21,369,632	\$ 5,091,095	\$ 5,075,521	\$ 7,712,692	\$ 8,149,692	\$ 23,513,955	\$ 23,513,955	\$ 4,519,700	\$ 4,519,700	\$ -	\$ -	\$ 63,027,980	\$ 62,628,500
Other contract funding and user fees	-	-	3,504,361	3,793,523	300,000	300,000	-	-	-	-	53,608	-	-	-	3,857,969	4,093,523
Child care	-	-	-	-	-	-	-	-	-	-	-	-	778,485	892,163	778,485	892,163
Donations and fund-raising	-	-	72,598	99,638	-	-	-	-	-	-	-	-	-	-	72,598	99,638
Interest	-	-	39,030	39,845	-	-	-	-	-	-	-	-	-	-	39,030	39,845
	-	-	25,806,527	25,302,638	5,391,095	5,375,521	7,712,692	8,149,692	23,513,955	23,513,955	4,573,308	4,519,700	778,485	892,163	67,776,062	67,753,669
Operating costs																
Salaries and benefits	-	-	19,154,117	17,817,502	4,566,899	4,781,128	6,525,340	6,362,177	6,840,828	6,890,773	3,712,986	3,198,234	648,228	709,500	41,448,398	39,759,314
General agency	-	-	2,267,717	1,978,214	53,354	73,571	126,394	118,494	231,208	239,807	25,920	121,869	947	30,180	2,705,540	2,562,135
Building occupancy	-	-	2,045,061	1,961,792	171,780	267,132	162,079	261,289	387,792	105,627	101,423	167,000	52,137	61,337	2,920,272	2,824,177
Staff travel and training	-	-	801,461	1,106,732	64,283	82,794	124,998	151,009	176,887	142,742	196,266	183,418	1,110	1,207	1,365,005	1,667,902
Clinical, professional and other client	-	-	324,552	638,141	446,062	400,178	623,643	584,075	15,790,331	15,858,634	238,682	483,673	73,343	84,569	17,496,613	18,049,270
Telephone, technology and equipment	-	-	903,477	1,017,313	27,941	38,105	66,740	112,125	58,110	82,195	216,860	100,032	2,672	3,893	1,275,800	1,353,663
Legal, audit and insurance	-	-	379,786	223,084	52,427	173,225	56,393	504,351	22,350	3,802	-	-	-	-	510,956	904,462
Donations and fund-raising service use	-	-	3,854	4,012	-	-	-	-	-	-	-	-	-	-	3,854	4,012
	-	-	25,880,025	24,746,790	5,382,746	5,816,133	7,685,587	8,093,520	23,507,506	23,323,580	4,492,137	4,254,226	778,437	890,686	67,726,438	67,124,935
Excess (deficiency) of revenues over costs for the year before amortization	-	-	(73,498)	555,848	8,349	(440,612)	27,105	56,172	6,449	190,375	81,171	265,474	48	1,477	49,624	628,734
Amortization	-	-	414,574	434,152	27,230	170,640	44,181	64,078	97,351	71,154	91,895	35,518	3,414	4,171	678,645	779,713
Excess (deficiency) of revenues over costs for the year	-	-	(488,072)	121,696	(18,881)	(611,252)	(17,076)	(7,906)	(90,902)	119,221	(10,724)	229,956	(3,366)	(2,694)	(629,021)	(150,979)
Fund balances, beginning of the year	5,795,178	5,499,010	(1,521,115)	(1,519,638)	(512,114)	(46,420)	(51,081)	(69,629)	160,015	160,015	(45,707)	(45,706)	12,758	11,281	3,837,934	3,988,913
Transfer additions to capital assets fund	234,272	1,075,881	(112,370)	(557,325)	(7,175)	(25,082)	(27,105)	(37,624)	(81,172)	(190,375)	(6,450)	(265,475)	-	-	-	-
Transfer amortization to capital assets fund	(678,645)	(779,713)	414,574	434,152	27,230	170,640	44,181	64,078	97,351	71,154	91,895	35,518	3,414	4,171	-	-
Fund balances, end of the year	\$ 5,350,805	\$ 5,795,178	\$ (1,706,983)	\$ (1,521,115)	\$ (510,940)	\$ (512,114)	\$ (51,081)	\$ (51,081)	\$ 85,292	\$ 160,015	\$ 29,014	\$ (45,707)	\$ 12,806	\$ 12,758	\$ 3,208,913	\$ 3,837,934

See accompanying notes to the financial statements

KINARK CHILD & FAMILY SERVICES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

	2013	2012
Cash flows from operating activities		
Excess (deficiency) of revenues over costs - Central East Treatment Programs	\$ (488,072)	\$ 121,696
Deficiency of revenues over costs - Central West Region Programs	(18,881)	(611,252)
Deficiency of revenues over costs - Central Region Programs	(17,076)	(7,906)
Excess (deficiency) of revenues over costs - CEAP	(90,902)	119,221
Excess (deficiency) of revenues over costs - ASD-SSP	(10,724)	229,956
Deficiency of revenues over costs - Child Care Centres	(3,366)	(2,694)
Amortization	678,645	779,713
	49,624	628,734
Changes in non-cash working capital balances:		
Sundry receivables	(54,184)	399,071
Due from Ministry of Children and Youth Services	466,638	(466,638)
Prepaid expenses and sundry	(175,095)	217,083
Deposit on leases	(5,000)	-
Accounts payable and accrued liabilities	(866,161)	(58,147)
Accrued salaries payable	(9,682)	(525,365)
Employees payroll deductions payable	(302,263)	(18,469)
Government remittances	(29,181)	66,431
Deferred special contract revenue	(442,459)	(23,068)
	(1,367,763)	219,632
Cash flows from investing activities		
Increase in investments	(30,737)	(27,119)
Purchase of capital assets	(234,272)	(1,075,881)
	(265,009)	(1,103,000)
Decrease in cash and cash equivalents	(1,632,772)	(883,368)
Cash and cash equivalents, beginning of the year	644,218	1,527,586
Cash and cash equivalents, end of the year	\$ (988,554)	\$ 644,218

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

Purpose of the organization

Kinark Child and Family Services ("Kinark") was incorporated under the laws of the Province of Ontario as a non-share capital corporation. It is a registered charitable organization within the meaning of the Income Tax Act and therefore is not subject to income taxes.

Kinark is an Ontario community based organization whose mission is *caring, helping, healing - so children and youth can live socially and emotionally healthy lives*. Kinark achieves this mission by providing expert help to children and youth, their families and communities. Kinark provides a range of services from parenting advice to help for children and youth with chronic and multiple mental health issues. In addition, Kinark provides intensive treatment and support to youth in conflict with the law as well as an extensive range of programs for children and youth diagnosed with Autism Spectrum Disorder ("ASD").

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). Outlined below are the accounting policies considered to be significant.

Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or when the amount to be received can be reasonably estimated and its collection is reasonably assured.

Government funding is primarily received from the Ontario Ministry of Children and Youth Services and is generally recorded when received. Funding received in respect of special contracts is recorded as revenue when Kinark provides the related services. Prior to providing the services, the amounts received are recorded as deferred special contract revenue in the Statements of Financial Position.

Kinark operates child care centres on a not-for-profit basis in one of the regions. These child care centres are funded through wage subsidies, fees subsidies and nominal fees paid by parents. The subsidies are recognized as revenue when received. Fees from parents are recognized when the amount to be received can be reasonably estimated and its collection is reasonably assured.

Kinark Outdoor Centre ("KOC") is a multi-disciplinary facility located in Haliburton, Ontario. Revenue is derived from various sources including Government of Ontario contract funding and fees assessed to participants attending the camp. The camp applies for and receives grants for specific project or development. The funding is recognized when received. The camp fees are recognized when the amount to be received can be reasonably estimated and its collection is reasonably assured. The grants are recognized in the year in which the related expenses are incurred.

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

1. Significant accounting policies (*continued*)

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and bank balances including bank indebtedness with balances that fluctuate frequently from being positive to overdrawn.

Financial instruments

Measurement of financial instruments

Kinark initially measures its financial assets and liabilities at fair value.

Kinark subsequently measures its financial assets and financial liabilities at amortized cost except investments, that are quoted in an active market. Changes in fair value are recognized in the Statements of Operations and Changes in Fund Balances.

Kinark has elected to designate all investments to be subsequently measured at fair value, which is consistent with the accounting policy in place at the time of the transition.

Financial instruments measured at amortized cost includes sundry receivables, bank indebtedness, accounts payable and accrued liabilities and accrued salaries payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance accounts, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

Kinark recognizes its transaction costs in the statement of operations and changes in fund balances in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

1. Significant accounting policies (*continued*)

Capital assets

Capital assets are recorded at cost. Amortization is calculated using the methods set out below applied to the cost of the assets, at annual rates based on their estimated useful lives as follows:

<u>Asset</u>	<u>Rate</u>	<u>Method</u>
Buildings	4%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Vehicles	30%	Diminishing balance
Computer equipment	30%	Diminishing balance
Computer software	55%	Diminishing balance
Leasehold improvements		Straight line over the term of the lease

Amortization expense is reported in the Capital Assets fund.

In addition, Kinark capitalizes all real estate for which it receives capital grants or special funding from the Ministry of Children and Youth Services.

Other

Kinark does not inventory food and household supplies. These costs are charged to operations in the year incurred.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and costs during the year. Significant estimates used in the preparation of these financial statements include allowance for receivables from different sources, estimated useful lives of capital asset, accruals of various expenses for each regional program and head office, accrual of salaries and payroll deductions and vacation accrual. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations and changes in fund balances in the year in which they become known.

Donated services

Donated services assist Kinark in carrying out its program activities. Since these services are not normally purchased by Kinark and because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

1. Significant accounting policies (*continued*)

Allocation of expenses

Kinark provides a range of treatments to help children, youth, their families and communities. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the programs. Kinark also incurs a number of general support expenses that are common to the administration of Kinark and each of its programs. These expenses are allocated according to Kinark's annual Service Contract with the Ministry of Children and Youth Services.

Impairment of long-lived assets

Kinark monitors the recoverability of long-lived assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Kinark reviews factors such as current market value, future asset utilization and business climate and, when such indicators exist, compares the carrying value of the assets to the future undiscounted cash flows expected to result from the use of the related asset. If such cash flows are less than the carrying value, the impairment charge to be recognized equals the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is generally measured as equal to the estimated future discounted net cash flows from the asset or assets. At the balance sheet date, Kinark has determined that no impairment in the carrying value of these assets exist.

2. Adoption of accounting standards for not-for-profit organizations

Effective April 1, 2012, Kinark adopted the requirements of the CICA Handbook by implementing ASNPO. This framework is in accordance with Canadian generally accepted accounting principles ("GAAP"). These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out in the significant accounting policies note (Note 1) have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening statement of financial position as at April 1, 2011 which is Kinark's date of transition.

Management reviewed the exemptions provided on transition to the ASNPO and has elected to designate all investments to be subsequently measured at fair value, which is consistent with the accounting policy in place at the time of the transition. Kinark issued financial statements for the year ended March 31, 2012 using GAAP prescribed by the CICA Handbook-Accounting XFI. The adoption of ASNPO had no impact on the previously reported assets, liabilities and fund balances of Kinark, and accordingly, there has been no restatement of previously reported amounts. Consequently, a reconciliation of previously reported income to net income as reported using ASNPO was not prepared. The presentation and disclosures in the financial statements reflect the requirements under the new accounting framework.

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

3. Fund accounting

Kinark follows the restricted fund method of accounting for revenues and contributions. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified.

The Central Region Programs fund includes Central Youth Justice Services, Intensive Supervision Support Program "ISSP", Multi-Systemic Therapy - Youth Justice "MST YJ". The Central West Region Programs fund consists of Central West Treatment Services, Dual Diagnosis and Vanier Residential Program.

The Central East Treatment Programs fund includes all other activities except those listed below.

The Central East Autism Program fund accounts for Kinark's autism Intensive Behavioural Interventions "IBI" program.

The Autism Spectrum Disorder School Support Program fund accounts for Kinark's autism school support program.

The Child Care Centres fund accounts for Kinark's activities funded by the Day Nurseries Act.

The Capital Assets fund accounts for Kinark's real estate and capital assets. As a condition of receiving capital funding for real estate, Kinark has agreed to certain restrictions on the use and disposition of the real estate. As well, Kinark has agreed not to make significant alterations or additions to all or any part of any buildings on the land. The land cannot be transferred or charged without the consent of the Ministry of Children and Youth Services.

4. Divestments in prior years

During fiscal 1998, Kinark divested its interest in the Haliburton Area Program. As part of this transaction, the office facilities were transferred to Point In Time Centre for Children, Youth and Parents (formerly Family Services of Haliburton County) for a nominal sum. Kinark has retained a right of first refusal to reacquire the facilities for the same nominal sum should the purchaser intend to dispose of them in the future.

During fiscal 1995, 1998 and 1999, Kinark sold for nominal proceeds a total of six of its residential properties to various organizations funded by the Government of Ontario. In exchange for accepting nominal proceeds, Kinark has retained a right of first refusal to reacquire any of these properties for the same nominal sum should the purchaser intend to dispose of the properties in the future.

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

5. Investments

	2013	2012
Fixed income marketable securities, bearing interest rates varying from 1.25% to 4.75% per annum and Government bonds having maturities ranging from one year to three years	\$ 1,282,400	\$ 1,272,213
Mutual funds and other investments	145,599	125,049
	1,427,999	1,397,262
Less: current portion	711,273	527,215
	\$ 716,726	\$ 870,047

6. Sundry receivables

Included in sundry receivables is an amount of \$24,126 (2012 - \$24,125) from Kinark Foundation (the "Foundation"). The Foundation is an independent corporation without share capital which has its own Board of Directors. The Foundation is responsible for fundraising activities carried out on behalf of Kinark. Kinark provides certain services to the Foundation and pays certain expenses on behalf of the Foundation. The amount receivable bears no interest and is repayable on a quarterly basis.

7. Capital assets

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
Land	\$ 387,412	\$ -	\$ 387,412	\$ 387,412
Buildings	4,270,632	1,339,169	2,931,463	3,053,607
Furniture and fixtures	3,568,818	2,535,435	1,033,383	1,324,157
Vehicles	233,625	230,559	3,066	4,381
Computer equipment	3,270,982	2,989,638	281,344	340,447
Computer software	285,120	277,510	7,610	12,775
Leasehold improvements	1,946,750	1,240,223	706,527	672,399
	\$ 13,963,339	\$ 8,612,534	\$ 5,350,805	\$ 5,795,178

Amortization expense for the year amounted to \$678,645 (\$779,713 for 2012).

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

8. Bank indebtedness

Bank indebtedness includes an amount outstanding under a revolving demand credit facility from the Toronto-Dominion Bank ("TD") for \$1,250,000 (2012 - \$90,000) which can be extended up to \$2,000,000. Interest is calculated at the TD Bank's prime rate plus 1.0% per annum. The credit facility is secured by a general security agreement and an assignment of term deposits.

9. Commitments

Kinark is committed under long-term leases for various periods extending to the fiscal year 2018. The minimum lease payments are as follows

	Equipment	Vehicles	Property	Total
2014	\$ 113,189	\$ 88,819	\$ 1,412,161	\$ 1,614,169
2015	44,233	73,662	1,293,783	1,411,678
2016	5,929	59,396	1,143,347	1,208,672
2017	-	27,121	653,614	680,735
2018	-	-	364,609	364,609
	<u>\$ 163,351</u>	<u>\$ 248,998</u>	<u>\$ 4,867,514</u>	<u>\$ 5,279,863</u>

10. Public sector salary disclosure

As required under the Public Sector Salary Disclosure Act, 1996, Kinark has filed a listing of its employees whose salaries exceeded \$100,000 during calendar year 2012 with the Government of Ontario and it is available at the following website: www.fin.gov.on.ca.

11. Pension plan

Kinark has a defined contribution pension plan for its employees. In accordance with the Plan Agreement, employees in the plan can contribute 4%, 5% or 6% of their salary to the plan. Kinark is required to match their contributions. Included in the salaries and benefits in the Statements of Operations and Changes in Fund Balances is approximately \$1,427,584 (2012 - \$1,332,231) of pension plan contributions.

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

12. Guarantees

In the normal course of business, Kinark enters into agreements that meet the definition of a guarantee. Kinark's primary guarantees are subject to the disclosure requirements of the CICA Handbook Accounting Guideline 14 "Disclosure of Guarantees".

Kinark has entered into various agreements that include guarantees of leases, banking, outsourcing and service agreements. These agreements may require Kinark to compensate others for losses incurred as a result of breaches of these agreements.

The nature of these agreements prevents Kinark from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events. Historically, Kinark has not made any significant payments under such or similar agreements and, therefore, no amount has been accrued in financial statements with respect to these agreements.

13. Contingencies

As at March 31, 2013, Kinark has been named as a defendant or co-defendant in five separate legal actions. These actions seek damages in various amounts ranging from \$1,000,000 to \$12,000,000. Kinark's legal counsel is currently unable to determine the expected outcome or potential liability of any of these actions and Kinark has not determined the extent to which these actions may be covered by insurance. It is Kinark's intent to vigorously defend these actions.

14. Financial instruments

Risks and Concentration

Kinark is exposed to various risks through its financial instruments. The following analysis presents Kinark's exposures to risk at the reporting date, March 31, 2013.

Credit risk

Kinark is exposed to credit risk with respect to its sundry receivables. Kinark assesses, on a continuous basis, sundry receivables on the basis of amounts it is virtually certain to receive.

Interest rate risk

Kinark is exposed to interest rate risk on its fixed interest rate financial instruments and bank indebtedness with variable interest rates. Fixed interest rate financial instruments subject Kinark to a fair value risk while the bank indebtedness with variable interest rate subject Kinark to a cash flow risk.

KINARK CHILD & FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

15. Comparative figures

Certain comparative figures for the year ended March 31, 2013 have been reclassified to conform with current financial statement presentation. This has had no effect on the excess (deficiency) of revenues over costs for the year or fund balances.