

KINARK CHILD AND FAMILY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2016

KINARK CHILD AND FAMILY SERVICES

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MARCH 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Kinark Child and Family Services:

We have audited the accompanying financial statements of **Kinark Child and Family Services** which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in fund balances and cash flows for the year 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

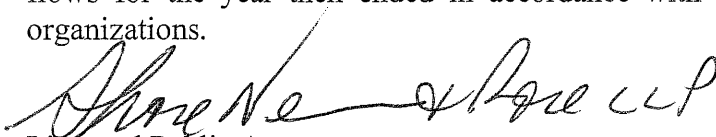
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Licensed Public Accountants

June 6, 2016

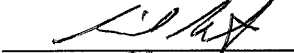
KINARK CHILD AND FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION

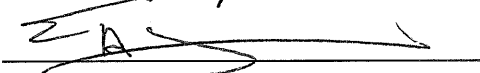
AS AT MARCH 31, 2016

	2016	2015 (Note 13)
ASSETS		
Current assets		
Cash	\$ 2,288,765	\$ 270,964
Investments (Note 6)	1,409,497	1,082,806
Sundry receivables	393,509	395,160
Due from Ministry of Children and Youth Services	182,000	-
Prepaid expenses and sundry	568,254	589,090
	4,842,025	2,338,020
Property, plant and equipment (Note 7)	5,490,748	4,744,023
Investments (Note 6)	101,203	408,584
Deposit on leases	108,717	108,717
	\$ 10,542,693	\$ 7,599,344
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	\$ 3,653,073	\$ 2,509,611
Accrued salaries payable	1,662,249	1,358,806
Employee payroll deductions payable	165,459	10,138
Government remittances payable	747,110	388,446
Deferred special contract revenue	766,252	732,746
Due to Ministry of Children and Youth Services	202,227	-
	7,196,370	4,999,747
Fund balances (Note 2)		
Capital Assets fund	5,490,748	4,744,023
Community Mental Health fund	(1,658,311)	(1,663,659)
Forensics fund	(573,708)	(565,860)
Autism Services fund	114,503	114,503
Other fund	(26,909)	(29,410)
	3,346,323	2,599,597
	\$ 10,542,693	\$ 7,599,344

On behalf of the Board



Director



Director

Commitments (Note 8)

Contingencies (Note 11)

Subsequent events (Note 11)

KINARK CHILD AND FAMILY SERVICES

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2016

	Capital Assets		Community Mental Health		Forensics		Autism Services		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015 (Note 13)
Operating revenues												
Government funding	\$ -	\$ -	\$ 24,284,632	\$ 23,163,787	\$ 15,482,100	\$ 15,384,992	\$ 27,539,808	\$ 28,068,688	\$ 1,011,891	\$ -	\$ 68,318,431	\$ 66,617,467
Other contract funding and user fees	-	-	1,422,403	1,101,206	-	-	312,037	321,050	1,476,568	1,584,138	3,211,008	3,006,394
Child care	-	-	-	-	-	-	-	-	951,444	847,503	951,444	847,503
Donations and fund-raising	-	-	21,612	10,292	-	-	-	-	20,773	29,040	42,385	39,332
Other income	-	-	30,377	36,026	-	-	-	-	-	-	30,377	36,026
	-	-	25,759,024	24,311,311	15,482,100	15,384,992	27,851,845	28,389,738	3,460,676	2,460,681	72,553,645	70,546,722
Operating costs												
Salaries and benefits	-	-	18,537,688	17,357,834	13,656,735	13,516,509	10,120,509	10,365,204	2,317,084	1,936,380	44,632,016	43,175,927
General agency	-	-	1,660,029	1,591,898	72,105	91,200	210,392	250,000	244,282	231,471	2,186,808	2,164,569
Building occupancy	-	-	2,292,083	2,272,910	354,652	414,731	539,761	594,070	110,589	98,245	3,297,085	3,379,956
Staff travel and training	-	-	856,002	758,242	203,318	182,111	151,182	173,023	137,511	48,730	1,348,013	1,162,106
Clinical, professional and other client	-	-	535,679	679,288	902,985	855,263	16,506,504	16,838,316	116,168	106,910	18,061,336	18,479,777
Telephone, technology and equipment	-	-	1,090,254	1,032,341	10,270	103,766	140,696	131,618	27,919	26,714	1,269,139	1,294,439
Legal, audit and insurance	-	-	245,576	403,253	86,440	78,724	23,598	3,783	-	143	355,614	485,903
Donations and fund-raising activities	-	-	274	-	-	-	-	-	3,416	924	3,690	924
Amortization	-	-	308,848	354,021	100,458	89,485	153,835	161,059	90,077	85,386	653,218	689,951
	-	-	25,526,433	24,449,787	15,386,963	15,331,789	27,846,477	28,517,073	3,047,046	2,534,903	71,806,919	70,833,552
Excess (deficiency) of revenues over costs for the year	-	-	232,591	(138,476)	95,137	53,203	5,368	(127,335)	413,630	(74,222)	746,726	(286,830)
Fund balances, beginning of the year	4,744,023	5,030,851	(1,663,659)	(1,663,656)	(565,860)	(565,860)	114,503	114,503	(29,410)	(29,411)	2,599,597	2,886,427
Transfer additions to capital assets fund	1,399,943	403,123	(536,091)	(215,548)	(203,443)	(142,688)	(159,203)	(33,724)	(501,206)	(11,163)	-	-
Transfer amortization to capital assets fund	(653,218)	(689,951)	308,848	354,021	100,458	89,485	153,835	161,059	90,077	85,386	-	-
Fund balances, end of the year	\$ 5,490,748	\$ 4,744,023	\$ (1,658,311)	\$ (1,663,659)	\$ (573,708)	\$ (565,860)	\$ 114,503	\$ 114,503	\$ (26,909)	\$ (29,410)	\$ 3,346,323	\$ 2,599,597

KINARK CHILD AND FAMILY SERVICES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015 (Note 13)
Cash flows from operating activities		
Excess (deficiency) of revenues over costs - Community Mental Health fund	\$ 232,591	\$ (138,476)
Excess of revenues over costs - Forensics fund	95,137	53,203
Excess (deficiency) of revenues over costs - Autism Services fund	5,368	(127,335)
Excess (deficiency) of revenues over costs - Other fund	413,630	(74,222)
Amortization	653,218	689,951
	1,399,944	403,121
Changes in non-cash working capital balances:		
Sundry receivables	1,651	(63,717)
Due to Ministry of Children and Youth Services	202,227	(35,500)
Prepaid expenses and sundry	20,836	188,612
Due from Ministry of Children and Youth Services	(182,000)	-
Accounts payable and accrued liabilities	1,143,461	47,628
Accrued salaries payable	303,443	14,349
Employee payroll deductions payable	155,321	(255,044)
Government remittances payable	358,664	(2,198)
Deferred special contract revenue	33,506	300,040
	3,437,053	597,291
Cash flows used in investing activities		
Increase in investments	(19,309)	(27,288)
Purchase of property, plant and equipment	(1,399,943)	(403,123)
	(1,419,252)	(430,411)
Increase in cash	2,017,801	166,880
Cash, beginning of the year	270,964	104,084
Cash, end of the year	\$ 2,288,765	\$ 270,964

See accompanying notes to the financial statements

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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 *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.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies.

Revenue recognition

Restricted contributions are recognized as revenue:

- a) where there is a restricted fund - when received or receivable and the amount to be received can be reasonably estimated and its collection is reasonably assured;
- b) where there is no restricted fund - in the year in which the related expenses are incurred. Prior to incurring the expense, the amounts are recorded as deferred revenue in the Statement of Financial Position.

Unrestricted contributions are recognized as revenue when received or receivable and 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 receivable.

Other contract funding is primarily for Supervised Access Programs, Peel CAS and consulting income and is recorded as revenue when Kinark provides the related services.

Kinark operates the Kinark Outdoor Centre ("KOC") which is a therapeutic recreation and respite centre located in Haliburton, Ontario. Revenue is derived from various sources including Government of Ontario funding, user fees assessed to participants, and grants for specific projects. The government funding and the user fees are recognized when receivable. The grants are recognized in the year in which the related expenses are incurred.

Child care services, operated on a not-for-profit basis, are funded through wage subsidies, fees subsidies and user fees paid by parents. The subsidies are recognized as revenue in the year in which the related expenses are incurred. User fees from parents are recognized when receivable.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

1. Significant accounting policies (*continued*)

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 which are quoted in an active market. Changes in fair value are recognized in the Statement of Operations and Changes in Fund Balances.

Kinark has elected to designate all investments to be subsequently measured at fair value.

Financial instruments measured at amortized cost include cash, sundry receivables, accounts payable and accrued liabilities, accrued salaries payable, employee payroll deductions payable, government remittances payable and due to/from Ministry of Children and Youth Services.

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 the Statement of Operations and Changes in Fund Balance. Any previously recognized impairment loss may be reversed to a maximum of the cumulative amount previously written down. The amount of the reversal is recognized in the Statement of Operations and Changes in Fund Balances.

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 AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

1. Significant accounting policies (*continued*)

Property, plant and equipment

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

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

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

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 financial position date, Kinark has determined that no impairment in the carrying value of these assets exists.

Other

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

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

1. Significant accounting policies (*continued*)

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 property, plant and equipment, accruals of various expenses for each regional program and head office, salaries and vacation accruals. 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.

Allocation of expenses

Kinark provides a range of programs for children, youth and their families. 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 contracts with the Ministry of Children and Youth Services.

Controlled entity

Kinark provides operational and staff support to the Kinark Foundation ("Foundation") and is able to appoint the majority of the Board members of the Foundation. Therefore, the Foundation is a controlled entity. The financial statements of the Foundation are not consolidated in Kinark's financial statements (Note 5).

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

2. Fund accounting

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

The Community Mental Health ("CMH") fund includes a full range of assessment and treatment services, including individual, family and group counselling, in the Central and East regions and in Peel (the Vanier Residential Program and Dual Diagnosis Services).

The Forensics fund includes Secure Custody, Detention and Treatment, Intensive Supervision and Support Program ("ISSP"), Multi-Systemic Therapy - Youth Justice ("MST YJ").

The Autism Services fund includes the Autism Intervention Program and the Autism Spectrum Disorder School Support Program ("ASD-SSP").

The Other fund includes the Child Care Centres, Supervised Access Programs, CMH Lead Agency responsibilities and other restricted and unrestricted programs.

The Capital Assets fund accounts for Kinark's property, plant and equipment. 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.

During the year, certain prior year fund balances were realigned with the current year presentation. This has had no effect on total excess (deficiency) of revenues over costs for the year in the Statement of Operations and Changes in Fund Balances.

3. Divestments in prior years

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

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

4. Demand credit facility

A revolving demand credit facility is available to Kinark from the Toronto-Dominion ("TD") Bank for \$1,000,000 with an additional \$1,000,000, if needed. The amount outstanding at year end is \$0 (2015 - \$0). 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. Kinark is in compliance with the financial covenants at March 31, 2016.

5. Kinark Foundation

The Kinark Foundation ("Foundation") is an independent corporation without share capital with its own Board of Directors the majority of which are Kinark board members.

The Foundation is responsible for raising funds in support of the mission of Kinark. Kinark provides administrative and personnel support to the Foundation and pays certain expenses on behalf of the Foundation.

During the year, Kinark received an administration fee of \$10,005 (2015 - \$nil) for providing these services.

These transactions are in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in sundry receivables is an amount of \$8,743 (2015 - \$16,737) from Kinark Foundation. The amount receivable bears no interest and is repayable on a quarterly basis.

Condensed Statement of Financial Position

As at March 31, 2016

Assets	\$	160,012
Liabilities		39,118
Fund balances (net)		120,894
Total liabilities and fund balances	\$	160,012

Condensed Statement of Operations

For the year ended March 31, 2016

Revenues	\$	150,031
Expenditures		48,260
Grants		16,300
		64,560
Excess of revenues over expenditures	\$	85,471

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

6. Investments

	2016	2015
Fixed income marketable securities, bearing interest rates varying from 1.25% to 2.1% per annum and Government bonds having maturities ranging from one year to two years	\$ 1,406,170	\$ 1,406,016
Mutual funds and other investments	104,530	85,374
	1,510,700	1,491,390
Less: current portion	1,409,497	1,082,806
	\$ 101,203	\$ 408,584

7. Property, plant and equipment

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Land	\$ 387,412	\$ -	\$ 387,412	\$ 387,412
Buildings	4,286,339	1,678,003	2,608,336	2,717,029
Furniture and fixtures	3,919,080	3,167,899	751,181	821,756
Vehicles	245,292	212,364	32,928	48,543
Computer equipment	4,746,654	3,332,330	1,414,324	351,509
Computer software	540,917	394,629	146,288	72,098
Leasehold improvements	2,043,223	1,892,944	150,279	345,676
	\$ 16,168,917	\$ 10,678,169	\$ 5,490,748	\$ 4,744,023

Amortization expense for the year amounted to \$653,218 (\$689,951 for 2015).

8. Commitments

Kinark is committed under long-term leases for various periods extending to the fiscal year 2021. The minimum lease payments are as follows:

	Equipment	Vehicles	Property	Total
2017	\$ 10,130	\$ 82,240	\$ 988,137	\$ 1,080,507
2018	6,996	61,341	695,928	764,265
2019	6,548	33,710	538,691	578,949
2020	6,548	22,961	351,188	380,697
2021	6,548	9,078	289,695	305,321
	\$ 36,770	\$ 209,330	\$ 2,863,639	\$ 3,109,739

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

9. 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 2015 with the Government of Ontario and it is available at the following website: www.fin.gov.on.ca.

10. Pension plan

Kinark has a defined contribution pension plan for its employees. In accordance with the Plan Agreement, employees in the plan can contribute 4%, 5% or 6% of their salary to the plan. Kinark is required to match their contributions. Included in the salaries and benefits in the Statement of Operations and Changes in Fund Balances is \$1,655,753 (2015 - \$1,641,779) of pension plan contributions.

11. Contingencies

The nature of Kinark's activities is such that there may be years where there is litigation pending or in progress. In some cases, where a potential liability is likely and is able to be estimated, management records its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined.

With respect to claims as at March 31, 2016, Kinark has been named as a defendant in a legal action associated with a prior year. This action seeks damages of \$2,600,000.

Three complaints against Kinark were filed with the Human Rights Tribunal of Ontario alleging discrimination in discharge-from-service decisions in the Autism program. These complaints include cash remedies ranging from \$126,000 to \$357,000 and/or reinstatement of services.

Subsequent to the year end, Her Majesty The Queen in Right of the Province of Ontario ("Province") filed a third party claim naming Kinark to a class action against the Province relating to the use of secure isolation dating back to January 1, 2007. The Province is claiming that third party operators (14 named) are responsible for operation and use of secure isolation pursuant to legislation and regulation within their respective facilities and also claiming third party contribution and indemnity for any amounts owing to plaintiffs and other costs. The Province has filed a statement of defence denying responsibility for alleged damages.

Kinark's legal counsel is currently unable to determine the expected outcome or potential liability, if any, of these actions.

It is Kinark's intent to defend these actions.

KINARK CHILD AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

12. Financial instruments

Risks

The following analysis presents Kinark's exposure to financial instruments risks.

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 subjects Kinark to a cash flow risk.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current financial statement presentation. This has had no effect on the Statement of Operations and Changes in Fund Balances for the year.