

KENNEDY HOUSE YOUTH SERVICES INC.

Independent Auditors' Report

Financial Statements

March 31, 2020

INDEPENDENT AUDITORS' REPORT

To the Directors of Kennedy House Youth Services Inc.

Qualified Opinion

We have audited the financial statements of Kennedy House Youth Services Inc. ("the Organization"), which comprise of the balance sheet as at March 31, 2020 and the statements of operations and changes in net assets and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Kennedy House youth services Inc. as at March 31, 2020 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 Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenses and cash flows from operations for the year ended March 31, 2020 and current assets and net assets balances as at March 31 2020.

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 the Organization 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.

Emphasis of Matter – COVID-19 Pandemic

We draw attention to Note 21 to the financial statements which discusses the COVID-19 pandemic and the uncertain and undeterminable effects this pandemic may have on future operations and cash flows of the company. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In accordance with the Corporations Act (Ontario), we report that the Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability 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 the Organization or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 these 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 Organization's internal control.
- 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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization 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.



Milman & Company Chartered Accountants (a Professional Corporation)

Authorized to practice public accounting by The Chartered Professional Accountants of Ontario

Toronto, Canada
June 18, 2020

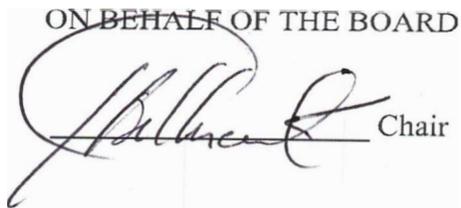
KENNEDY HOUSE YOUTH SERVICES INC.

Statement of Financial Position

March 31, 2020

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,653,210	\$ 1,058,384
Investments (note 5)	859,791	810,052
Accounts receivable (note 6)	404,981	408,656
Refundable government remittances	65,710	69,656
Prepaid expenses and supplies	23,153	902
	<u>3,006,845</u>	<u>2,347,650</u>
Capital assets, net (note 8)	5,459,968	5,618,179
Investments held for future foundation (notes 5, 11, 19)	25,542	16,164
Investments held for future expansion (notes 5, 12)	1,717,585	1,769,585
Investments held for scholarships (notes 5, 12)	119,815	125,473
	<u>\$ 10,329,755</u>	<u>\$ 9,877,051</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 9, 16)	\$ 771,214	\$ 688,821
Future rent	559	5,480
Contributions for capital assets (note 10)	3,793,062	3,977,434
Deferred contributions (notes 11, 18)	576,105	501,381
	<u>5,140,940</u>	<u>5,173,116</u>
NET ASSETS		
Internally restricted (note 12)	1,867,228	1,924,886
Invested in capital assets (note 13)	1,666,906	1,640,745
Unrestricted	1,654,681	1,138,304
	<u>5,188,815</u>	<u>4,703,935</u>
	<u>\$ 10,329,755</u>	<u>\$ 9,877,051</u>

Commitments (note 20)
COVID-19 pandemic (note 21)

ON BEHALF OF THE BOARD

Chair

DocuSigned by:

Robit Mathur
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Treasurer

KENNEDY HOUSE YOUTH SERVICES INC.

Statement of Operations

year ended March 31, 2020

	2020	2019
Revenue		
Provincial government subsidy (note 14)	\$ 2,468,870	\$ 2,432,332
Municipal government subsidy (note 15)	1,652,289	1,597,726
Children's Aid Societies	4,396,993	4,067,994
Donations and grants (note 18)	209,409	157,956
	<u>8,727,561</u>	<u>8,256,008</u>
Expenses		
Salaries and wages (note 23)	5,637,233	5,397,380
Administrative	850,661	817,589
Occupancy costs	520,737	486,577
Security	231,679	232,994
Food services	223,889	227,540
Travel expenses	126,861	137,234
Repairs and maintenance	112,889	137,185
Other program costs	110,949	103,568
Client personal needs	103,642	100,942
Miscellaneous	96,317	78,737
Training and recruitment	47,713	47,164
Professional fees (note 19)	37,172	98,886
Payroll service charges	34,974	30,496
Client related professional services	30,888	30,983
Health and related	20,542	20,448
Interest and bank charges	3,942	3,258
One time projects	-	24,307
Loss on disposal of capital assets	-	119
Recovery of harmonized sales tax	(121,884)	(132,666)
	<u>8,068,204</u>	<u>7,842,741</u>
Excess of revenue over expenses before the following (note 16)	659,357	413,267
Investment income (loss)	(88,486)	243,944
Rental and other (note 17)	44,150	36,317
Amortization of deferred contributions	227,086	217,668
Amortization of capital assets	(295,165)	(283,094)
Repayment of surplus to Ontario Ministry of Children and Youth Services (note 16)	(62,062)	(71,180)
Excess of revenue over expenses for the year	<u>\$ 484,880</u>	<u>\$ 556,922</u>

KENNEDY HOUSE YOUTH SERVICES INC.**Statement of Changes in Net Assets****year ended March 31, 2020**

	2020			
	Unrestricted	Invested in capital assets (Note 13)	Internally restricted (Note 12)	Total
Net assets, beginning of year	\$ 1,138,304	\$ 1,640,745	\$ 1,924,886	\$ 4,703,935
Excess of revenue over expenses for the year	484,880	-	-	484,880
Change in internally restricted net assets (note 12)	57,658	-	(57,658)	-
Change in invested in capital assets (note 13)	(26,161)	26,161	-	-
Net assets, end of year	\$ 1,654,681	\$ 1,666,906	\$ 1,867,228	\$ 5,188,815

	2019			
	Unrestricted	Invested in capital assets (Note 13)	Internally restricted (Note 12)	Total
Net assets, beginning of year	\$ 816,444	\$ 1,557,750	\$ 1,772,819	\$ 4,147,013
Excess of revenue over expenses for the year	556,922	-	-	556,922
Change in internally restricted net assets (note 12)	(152,067)	-	152,067	-
Change in invested in capital assets (note 13)	(82,995)	82,995	-	-
Net assets, end of year	\$ 1,138,304	\$ 1,640,745	\$ 1,924,886	\$ 4,703,935

KENNEDY HOUSE YOUTH SERVICES INC.

Statement of Cash Flows

year ended March 31, 2020

	2020	2019
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 484,880	\$ 556,922
Adjustments for		
Amortization of capital assets	295,165	283,094
Amortization of contributions for capital assets	(227,086)	(217,668)
Loss on disposal of capital assets	-	119
	552,959	622,467
Change in non-cash working capital items		
Accounts receivable	3,675	102,396
Refundable government remittances	3,944	10,743
Prepaid expenses and supplies	(22,252)	4,370
Accounts payable and accrued liabilities	82,393	104,571
	620,719	844,547
Cash flows from investing activities		
Purchase of capital assets	(136,955)	(148,421)
Loss on disposal of capital assets	-	(119)
Purchase of investments	(1,456)	(409,818)
	(138,411)	(558,358)
Cash flows from financing activities		
Increase in contributions for capital assets	42,715	-
Decrease in future rent	(4,921)	(3,179)
Increase in deferred contributions	74,724	128,032
	112,518	124,853
Increase in cash and cash equivalents	594,826	411,042
Cash and cash equivalents, beginning of year	1,058,384	647,342
Cash and cash equivalents, end of year	\$ 1,653,210	\$ 1,058,384

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

DESCRIPTION OF THE ORGANIZATION

Kennedy House Youth Services Inc. ("Kennedy House") is incorporated without share capital under the laws of the Province of Ontario. Kennedy House is a non-profit charitable organization and is accordingly exempt from income taxes under the Canadian Income Tax Act.

Established in 1971, Kennedy House Youth Services has a long history of providing therapeutic residential care to troubled youth in the Greater Toronto Area. Since its inception, Kennedy House has worked with over 14,000 youth through various programs. Kennedy House currently operates group homes for young men and women, homes for youth with developmental disabilities, a day treatment school program, a secure custody facility for youth experiencing conflict with the law, a bailiff program, a homeless shelter for youth and an after school program for vulnerable children. The programs are funded through the Ministry of Child and Youth Services, referring agency per diems, City of Toronto, fixed service contracts and donations and grants from foundations and corporations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of Kennedy House have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These standards are in accordance with Canadian generally accepted accounting principles within the framework of the significant accounting policies summarized below:

Revenue recognition

Kennedy House follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted as to use are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions received for capital assets are deferred in the accounts and amortized over the same terms and on the same basis as the related capital assets.

Revenue from services to Children's Aid Societies is recognized when the service has been provided.

Investments are recorded in the accounts at market value. Unrealized gains (losses) are included in investment income. Interest from investments is recorded on an accrual basis and included in investment income. Dividend income is recorded when received.

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue recognition. continued

Rental income is recognized over the period of rent.

Other income is recorded when reasonable assurance exists regarding its measurement and collectibility.

Cash and cash equivalents and bank indebtedness

Bank balances and bank overdrafts that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition are disclosed under cash and cash equivalents or bank indebtedness when overdrawn.

Prepaid expenses and supplies

Prepaid expenses and supplies are stated at the lower of cost (using the first-in, first-out method) and net realizable value.

Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributions of capital assets are capitalized at fair market value at the date of contribution.

Amortization is provided for over the estimated useful life of the asset, on a straight-line basis over the following periods:

Youth Centre (Ajax)	40 years
Other buildings	40 years
Furniture and equipment	5 years
Vehicles	5 years
Leasehold improvements	5 years

Full amortization is recorded in the year of acquisition.

Employee benefits

Contributions to a registered retirement savings plan are expensed when due.

Volunteer services and contributed materials

The work of Kennedy House is dependent on the volunteer services of many members and others. The nature and amount of volunteer services are not reflected in these financial statements because of the difficulty of determining their fair value. Contributed materials are also not reflected in these financial statements.

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial instruments

Measurement

Kennedy House initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at amortized cost include cash, accounts receivable, cash held for future expansion and cash held for scholarships. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Investments including investments held for future expansion, future foundation and investments held for scholarships are measured at fair value. Changes in fair value are recognized in income.

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 account, 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

Kennedy House recognizes its transaction costs in net income 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

Use of estimates

The preparation of these financial statements in conformity with Canadian standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, useful life of capital assets and provisions and contingencies. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

2. NAME CHANGE AND JURISDICTION OF INCORPORATION

In April 2020 the organization's name was changed from Kennedy House Youth Services Inc. to Kennedy House and the corporation became Federally incorporated and was continued under the Canada Not-for-Profit Corporations Act.

3. CASH AND CASH EQUIVALENTS	2020	2019
Cash	\$ 1,403,210	\$ 1,058,384
GIC earning 1.89% maturing April 2020	250,000	-
	<u>\$ 1,653,210</u>	<u>\$ 1,058,384</u>

4. CREDIT FACILITY

Kennedy House has a demand operating line of credit of \$120,000 with no balance (2019 - \$NIL) outstanding as at March 31, 2020. The demand operating line of credit bears interest at 2.65% plus the bank's prime rate of 2.45% (2018 - 3.95%).

5. INVESTMENTS

Investments are measured at fair value and consist of Bonds, Preferred Shares and Common Shares with principal amounts ranging from \$23,787 to \$140,633 (2019 - \$23,787 to \$140,633), interest rates of 1.61% to 4.57% (2019 - 1.51% to 4.57%) and maturity dates from April 2020 to May 2026 (2019 - April 2020 to December 2025).

Investments in the amount of \$1,717,585 (2019 - \$1,769,585) have been classified as long-term assets representing internally restricted funds for future expansion, (note 12). Investments in the amount of \$119,815 (2019 - \$125,473) have been classified as long-term assets representing scholarships, (note 12). Investments in the amount of \$25,542 (2019 - \$16,164) have been classified as long-term assets representing externally restricted contributions for a future foundation, (note 11).

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

6. ACCOUNTS RECEIVABLE

Kennedy House provides services to various Children's Aid Societies. As at March 31, 2020, four (2019 - three) Children's Aid Societies represented 82% (2019 - 79%) of the total accounts receivable balance.

7. YOUTH CENTRE (AJAX)

Pursuant to an agreement between Kennedy House and the Ministry of Community and Social Services, in the event that the Youth Centre (Ajax) is sold, Kennedy House is entitled to receive 30% of the net proceeds from the disposition of the land only.

8. CAPITAL ASSETS			2020	2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 9,646,192	5,180,120	\$ 4,466,072	\$ 4,647,271
Furniture and equipment	467,379	415,105	52,274	19,277
Vehicles	503,266	415,518	87,748	96,481
Land	850,045	-	850,045	850,045
Leasehold improvements	21,578	17,749	3,829	5,105
	\$ 11,488,460	6,028,492	\$ 5,459,968	\$ 5,618,179

The decrease in the net book value of capital assets is due to the following:

	2020	2019
Balance, beginning of year	\$ 5,618,179	\$ 5,752,854
Purchase of capital assets, internally funded	94,241	148,419
Purchase of capital assets, externally funded	42,713	-
Amortization of capital assets	(295,165)	(283,094)
Balance, end of year, note 13	\$ 5,459,968	\$ 5,618,179

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2020	2019
Accounts payable and accrued liabilities	\$ 697,520	\$ 634,535
Government remittances payable	73,694	54,286
	<hr/>	<hr/>
	\$ 771,214	\$ 688,821

10. CONTRIBUTIONS FOR CAPITAL ASSETS	2020	2019
Balance, beginning of year	\$ 3,977,434	\$ 4,195,102
Contributions received during the year, (note 14)	42,715	-
Amortization of contributions for capital assets	(227,087)	(217,668)
	<hr/>	<hr/>
Balance, end of year, (note 13)	\$ 3,793,062	\$ 3,977,434

11. DEFERRED CONTRIBUTIONS

Deferred contributions include externally restricted contributions that were received in fiscal years 2018, 2019 and 2020 totalling \$25,000 and \$542 of investment income earned on the amount of the contributions for the purpose of establishing a foundation in the future. If a future foundation is not established using the funds within 15 years from the date of receipt, the contribution may be used for other purposes other than subsidizing any program operating funds. Additionally, starting on January 1, 2019, Kennedy House may withdraw 4% of the value of the fund to use for unrestricted purposes. As at March 31, 2020, no amount has been withdrawn for unrestricted purposes.

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

12. INTERNALLY RESTRICTED NET ASSETS

An amount has been internally restricted by the Board of Directors for future expansion. The Board of Directors has also established a scholarship fund to assist Centennial College and Sir Sanford Fleming students. Scholarships are awarded to qualifying individuals who intend to pursue their studies in the field of social work.

During fiscal 2008, the Board reserved \$75,000 to establish an annual lecture series in memory of the founding Executive Director. This series is aimed at providing industry updates to front line social workers for the next 5 to 10 years. Of this balance, \$NIL (2018 - \$NIL) was used in fiscal 2019.

	2020			
	Lecture Series	Future expansion	Scholarship fund	Total
Balance, beginning of year	\$ 29,828	\$ 1,769,585	\$ 125,473	\$ 1,924,886
Contributions to (use of) funds	-	-	(2,000)	(2,000)
Investment loss	-	(52,000)	(3,658)	(55,658)
Change in internally restricted net assets	-	(52,000)	(5,658)	(57,658)
	\$ 29,828	\$ 1,717,585	\$ 119,815	\$ 1,867,228

	2019			
	Lecture Series	Future expansion	Scholarship fund	Total
Balance, beginning of year	\$ 29,828	\$ 1,624,900	\$ 118,091	\$ 1,772,819
Contributions to (use of) funds	-	-	(3,000)	(3,000)
Investment income	-	144,685	10,382	155,067
Change in internally restricted net assets	-	144,685	7,382	152,067
	\$ 29,828	\$ 1,769,585	\$ 125,473	\$ 1,924,886

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

13. NET ASSETS INVESTED IN CAPITAL ASSETS	2020	2019
Capital assets, net, (note 8)	\$ 5,459,968	\$ 5,618,179
Less amounts financed by contributions for capital assets, (note 10)	(3,793,062)	(3,977,434)
Balance, end of year	\$ 1,666,906	\$ 1,640,745

The change in net assets invested in capital assets is as follows:

	2020	2019
Purchase of capital assets	\$ 136,955	\$ 148,421
Contributions for capital assets received during the year	(42,715)	-
Amortization of capital assets	(295,165)	(283,094)
Amortization of contributions for capital assets	227,086	217,668
	\$ 26,161	\$ 82,995

14. PROVINCIAL GOVERNMENT SUBSIDY	2020	2019
Funding received from the Ontario Ministry of Children and Youth Services	\$ 2,347,840	\$ 2,347,838
Funding received from the Ontario Ministry of Community and Social Services	163,745	84,494
Less contributions for capital assets received during the year	(42,715)	-
	\$ 2,468,870	\$ 2,432,332

15. MUNICIPAL GOVERNMENT SUBSIDY	2020	2019
Funding from the City of Toronto for the Youth Shelter	\$ 1,573,033	\$ 1,518,274
Funding received from the City of Toronto Investing in Neighbourhoods Program	33,544	39,419
Grant received from the City of Toronto Urban Health Fund	87,566	71,831
Grant received from the City of Toronto Menstrual Products	3,750	-
Less portion of grant deferred	(45,604)	(31,798)
	\$ 1,652,289	\$ 1,597,726

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

16. SERVICE CONTRACT WITH THE ONTARIO MINISTRY OF CHILDREN AND YOUTH SERVICES

Kennedy House has service contracts with the Ontario Ministry of Children and Youth Services and the Ontario Ministry of Community and Social Services (collectively "the Ministry"). One requirement of the contracts is the production by management of a report, the Transfer Payment Annual Reconciliation ("TPAR"), which is a summary, by service, of all receipts and expenses and any resulting excess (deficiency) of receipts over expenses that relates to the contracts. This report is formerly known as the Annual Program Expenditure Reconciliation.

The following programs have an excess of receipts over expenses (expenses over receipts) for the year ended March 31, 2020:

	Youth Centre Ajax	Bailiff	Day Treatment
Surplus (deficit) for the year	\$ 34,123	\$ 27,802	\$ (7,115)
Reconciling items:			
Add back: current year vacation accrual	19,839	4,080	2,189
Deduct: prior year vacation accrual	(19,923)	(3,000)	(4,730)
Add back: amortization of capital assets	214,720	8,507	-
Deduct: amortization of contributions of capital assets	(215,579)	(8,507)	-
Add back: contributions for capital assets	42,713	-	-
Deduct: purchases of capital assets	(42,713)	-	-
Surplus (deficit) for Ministry purposes	\$ 33,180	\$ 28,882	\$ (9,656)

As at March 31, 2020 there is a net amount of \$9,062 (2019 - \$71,180) owing to the Ministry for the surplus from fiscal year 2020 which is included in accounts payable and accrued liabilities.

During the year Kennedy House had expenditures of \$44,401 in Ajax, \$930 in Bailiff and \$240 in Day Treatment for staffing needs, equipment and supplies directly related to the COVID-19 pandemic. These amounts were included in the accounts of Kennedy House in the current year. Of these amounts, \$42,713 was capitalized and included in capital assets.

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

17. RENTAL AND OTHER INCOME		2020		2019
Rental	\$	36,000	\$	36,000
Other		8,150		317
	\$	44,150	\$	36,317

18. DONATIONS AND GRANTS

Donations and grants collected, utilized and deferred are reconciled as follows:

		2020		2019
Donations received during the year in support of general shelter operations and specific programs	\$	128,771	\$	123,466
Grants received during the year in support of general shelter operations and specific programs		107,274		109,616
Donations and grants received during the year in support of Outreach		20,000		31,500
Grant received during the year in support of Day Treatment		3,175		-
Donations received during the year in support of residential care		1,728		5,690
Grants received during the year in support of residential care		-		24,307
Grants received during the year in support of head office		-		3,000
Donations and grants previously deferred and utilized		175,231		93,706
Donations received and deferred		(132,270)		(123,466)
Grants received and deferred		(94,500)		(109,863)
Donations and grants recorded in income	\$	209,409	\$	157,956

19. RELATED PARTY TRANSACTIONS

During the year Kennedy House paid \$8,189 (2019 - \$3,277) for legal services included in professional services expense to a member of the Board of Directors.

During the year Kennedy House received an amount of \$10,000 from a member of the Board of Directors for the purpose of establishing a foundation in the future as described in note 11. This amount was included in deferred contributions.

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

KENNEDY HOUSE YOUTH SERVICES INC.

Notes to Financial Statements

March 31, 2020

20. COMMITMENTS

Kennedy House is committed to the following future minimum annual payments under operating leases for office facilities:

2021	\$	66,396
2022		27,665
		<hr/>
	\$	94,061

21. COVID-19

In March 2020, the World Health Organization declared the outbreak of the COVID-19 virus a global pandemic. The spread of this virus has impacted many local economies around the world. Measures taken to contain the spread of the virus including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Management has determined that these events did not impact the financial position of the organization as at March 31, 2020. As such, the financial position and results of operations as of and for the year-ended March 31, 2020 have not been adjusted. The duration and impact of the COVID-19 pandemic remains unclear at this time on Kennedy House's financial position and results of operations for future periods.

22. CONTINGENCIES

From time to time there are claims instituted against Kennedy House during the normal course of operations. These claims are administered and settled through Kennedy House' insurance and are not expected to have a material adverse effect on the financial position or the results of operations of the organization.

23. EMPLOYEE BENEFITS

Kennedy House's employees participate in a registered retirement pension plan. Kennedy House's contributions to this plan were \$58,430 (2019 - \$59,170) which is expensed and included within salaries, wages and benefits on the statement of operations.

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24. FINANCIAL INSTRUMENTS

Kennedy House is exposed to various risks through its financial instruments. The following analysis provides a measure of Kennedy House's risk exposure and concentrations at the balance date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Kennedy House is exposed to this risk mainly in respect of its accounts receivable. Kennedy House believes there is minimal risk associated with these amounts due to the nature of the organizations and institutions that it services. Kennedy House mitigates this risk by monitoring the accounts on a regular basis.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Kennedy House is exposed to this risk mainly in respect of its accounts payable. Kennedy House mitigates this risk by generating sufficient cash flow from operations in order to meet its financial obligations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Kennedy House is mainly exposed to interest rate risk, currency risk and other price risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

	2020	2019
Cash	US\$ 16,021	US\$ 7,688
Investments	US\$ 496,781	US\$ 557,483

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The entity is exposed to interest rate risk on its fixed-rate investments. Kennedy House mitigates this risk by diversifying these investments at different maturities.

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24. FINANCIAL INSTRUMENTS, CONTINUED

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Kennedy House is exposed to other price risk through its investments in quoted shares. As at March 31, 2020 Kennedy House held investments in quoted shares within its general investments and investments held for future expansion with a combined total fair market value of \$1,573,623 (2019 - \$1,723,688). Kennedy House mitigates this risk by diversifying its investment portfolios.

25. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.