Financial Statements of

ERINOAKKIDS
Centre for Treatment and Development

Year ended March 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of ERINOAKKIDS
Centre for Treatment and Development

We have audited the accompanying financial statements of ERINOAKKIDS Centre for Treatment and Development, which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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.

Auditors' 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 our 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, we consider 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 qualified audit opinion.

KPMG

Basis for Qualified Opinion

In common with many charitable organizations, ERINOAKKIDS Centre for Treatment and Development derives part of its revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of ERINOAKKIDS Centre for Treatment and Development. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2012 and March 31, 2011, any adjustments might be necessary to donation revenue and deficiency of revenue over expenses reported in the statements of operations, deficiency of revenue over expenses reported in the statements of cash flows and current assets and unrestricted net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of ERINOAKKIDS Centre for Treatment and Development as at March 31, 2012, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 6, 2012
Toronto, Canada

ERINOAKKIDS

Centre for Treatment and Development

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	Operating Fund	Capital Fund	Segregated Funds	2012 Total	2011 Total
Assets					
Current assets:					
Cash and short-term deposits	$ 5,487,175	$ 436,143	$ –	$ 5,923,318	$ 4,341,483
Accounts receivable (note 14)	742,974	–	–	742,974	1,944,932
Prepaid expenses	149,201	–	–	149,201	151,637
	6,379,350	436,143	–	6,815,493	6,438,052
Investments (note 2)	–	3,137,024	54,112	3,191,136	3,138,962
Interfund receivable (payable)	2,382,045	(2,425,049)	43,004	–	–
Capital assets (note 3)	–	3,368,303	–	3,368,303	2,929,418
	$ 8,761,395	$ 4,516,421	$ 97,116	$ 13,374,932	$ 12,506,432
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued liabilities	$ 8,286,012	$ 36,894	$ –	$ 8,322,906	$ 8,006,450
Deferred revenue	458,702	–	–	458,702	384,987
	8,744,714	36,894	–	8,781,608	8,391,437
Deferred contributions (note 4)	–	3,156,232	–	3,156,232	2,583,379
Net assets:					
Invested in capital assets (note 5)	–	646,992	–	646,992	763,530
Diana Thomson Award	–	–	9,927	9,927	9,927
The Care for the Kids	–	–	14,938	14,938	14,938
Restricted	–	–	72,251	72,251	71,279
Unrestricted	16,681	676,303	–	692,984	671,942
	16,681	1,323,295	97,116	1,437,092	1,531,616
Commitments (note 12)					
Contingencies and indemnifications (note 13)					
	$ 8,761,395	$ 4,516,421	$ 97,116	$ 13,374,932	$ 12,506,432

See accompanying notes to financial statements.

On behalf of the Board:

Stephen Bishop _______ Director

[illegible] _______ Director

ERINOAKKIDS

Centre for Treatment and Development

Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	Operating Fund	Capital Fund	Segregated Funds	2012 Total	2011 Total
Revenue:					
Ministry of Children and Youth Services (note 7)	$ 53,490,807	$ –	$ –	$ 53,490,807	$ 52,685,386
Ministry of Health and Long-term Care (note 8)	175,505	–	–	175,505	816,933
Regional Municipality of Peel	834,129	–	–	834,129	807,174
Amortization of deferred contributions	–	622,953	–	622,953	625,686
Other (note 9)	1,276,407	50,000	–	1,326,407	1,431,929
Donations and fundraising	30,010	–	–	30,010	43,929
Dividend and interest	63,242	57,365	1,354	121,961	84,936
	55,870,100	730,318	1,354	56,601,772	56,495,973
Expenses:					
Salaries and benefits	37,394,146	–	–	37,394,146	38,389,763
Special Services At Home purchased services	2,114,390	–	–	2,114,390	2,243,159
Other purchased services	10,042,615	722	–	10,043,337	8,533,156
Professional and other fees	821,915	5,121	–	827,036	738,007
Supplies and minor equipment	1,654,461	9,562	–	1,664,023	1,987,302
Training and travel	548,745	262	–	549,007	541,859
Utilities	328,339	340	–	328,679	398,756
Rentals	2,370,612	–	–	2,370,612	2,314,971
Repairs and maintenance	190,224	–	–	190,224	329,465
Recruitment, advertising and promotion	65,361	2,000	–	67,361	46,358
Amortization of capital assets	–	716,164	–	716,164	727,126
Other	339,292	83,987	1,500	424,779	441,399
	55,870,100	818,158	1,500	56,689,758	56,691,321
	–	(87,840)	(146)	(87,986)	(195,348)
Unrealized gain (loss) on investments (note 2)	–	(7,656)	1,118	(6,538)	83,308
Excess (deficiency) of revenue over expenses	$ –	$ (95,496)	$ 972	$ (94,524)	$ (112,040)

See accompanying notes to financial statements.

ERINOAKKIDS

Centre for Treatment and Development

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	Operating Fund	Capital Fund		Segregated Funds		2012	2011
	Unrestricted	Unrestricted net assets	Invested in capital assets (note 5)	Diana Thomson Award and The Care for the Kids	Restricted	Total	Total
Net assets, beginning of year	$ 16,681	$ 655,261	$ 763,530	$ 24,865	$ 71,279	$ 1,531,616	$ 1,643,656
Excess (deficiency) of revenue over expenses	–	(2,285)	(93,211)	–	972	(94,524)	(112,040)
Net change in investment in capital assets (note 5)	–	23,327	(23,327)	–	–	–	–
Net assets, end of year	$ 16,681	$ 676,303	$ 646,992	$ 24,865	$ 72,251	$ 1,437,092	$ 1,531,616

See accompanying notes to financial statements.

ERINOAKKIDS

Centre for Treatment and Development

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (94,524)	$ (112,040)
Items not involving cash:		
Amortization of capital assets	716,164	727,126
Amortization of deferred contributions	(622,953)	(625,686)
Unrealized loss (gain) on investments	6,538	(83,308)
Change in non-cash operating working capital	1,594,565	(26,732)
	1,599,790	(120,640)
Financing activities:		
Deferred contributions received	1,195,806	497,567
Investing activities:		
Purchase of investments	(1,123,513)	(830,295)
Proceeds of redemption and sale of investments	1,064,801	801,634
Purchase of capital assets	(1,155,049)	(889,408)
	(1,213,761)	(918,069)
Increase (decrease) in cash and short-term deposits	1,581,835	(541,142)
Cash and short-term deposits, beginning of year	4,341,483	4,882,625
Cash and short-term deposits, end of year	$ 5,923,318	$ 4,341,483
Supplemental cash flow information:		
Interest paid	$ 20,207	$ 22,805
Interest received	121,960	84,936

See accompanying notes to financial statements.

ERINOAKKIDS Centre for Treatment and Development (the "Organization" or "ERINOAKKIDS") is incorporated under the laws of Ontario, without share capital, with the purpose of supporting children and youth with physical, developmental or communication disabilities and their families residing primarily in the regions of Peel and Halton in achieving and maintaining optimal levels of independence, health and well-being.

ERINOAKKIDS is a registered charitable organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

(a) Fund accounting:

The accounts are maintained using the principles of fund accounting to ensure observance of limitations and restrictions placed on the use of resources and to appropriately match expenditures with related funding. Resources are classified into funds that are in accordance with specified activities or objectives.

The Operating Fund accounts for the client care and administrative and operational costs financed by provincial ministries and other agencies and include other operating revenue. All assets and liabilities relating to ongoing client care activities are included in the Operating Fund.

The Capital Fund accounts for monies received and specified for capital purposes or other special projects and purposes.

The Segregated Funds include monies received by ERINOAKKIDS pursuant to written direction by the donors that the monies be held for not less than 10 years. The purpose of the Segregated Funds is to accumulate capital for investment. At the expiration of 10 years, the capital and income earned on the Segregated Funds may be used at the Board of Directors' discretion to fund any operating deficits that may arise. The Segregated Funds also contain amounts segregated for the Diana Thomson Award and The Care for the Kids Segregated Fund.

1. Significant accounting policies (continued):

In 1998, the Board of Directors of ERINOAKKIDS established the Diana Thomson Award in recognition of the length of service and loyal efforts as ERINOAKKIDS' previous Executive Director. This award was created to assist with the continuing education of an ERINOAKKIDS client or alumnus. Each year, an amount will be awarded to a designated ERINOAKKIDS client or alumnus to assist in furthering his/her education in his/her selected field of study.

In fiscal 2009, ERINOAKKIDS established The Care for the Kids Segregated Fund. This fund was created in recognition of Linda Rothney's (former CEO) advocacy for a new building for ERINOAKKIDS. Donations into the fund will go towards the planning or construction of a new facility.

(b) Cash and short-term deposits:

Cash and short-term deposits consist of cash and investments in short-term instruments readily convertible to cash.

(c) Investments:

Investments are classified as held-for-trading, and stated at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of operations.

Fair values of investments are determined as follows:

Fixed income securities and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities. Transaction costs are expensed as incurred.

The Organization does not enter into any derivative financial instruments for hedging or speculative purposes.

1. **Significant accounting policies (continued):**

(d) Capital assets:

Purchased capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives.

Contributed capital assets, which are recorded at fair market value at the date of the contribution, are recognized as deferred contributions and amortized on a straight-line basis over their estimated useful lives, as follows:

Buildings and building service equipment	15 - 40 years
Leasehold improvements	Over lease term
Major equipment - all programs	5 - 15 years
Major Information System ("IS") equipment	5 - 15 years

The Organization ceases to report fully amortized assets in the period subsequent to when they became fully amortized.

(e) Deferred revenue:

Deferred revenue represents grants, donations and certain fundraising revenue for programs and expenditures to be made in future years. These will be recognized as income in the year the program is held or expenditure is made.

(f) Deferred contributions:

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

1. Significant accounting policies (continued):

(g) Donations:

The Organization accounts for donations as Operating Fund revenue, with the exception of donations specified for capital expenditures, which appear as Capital Fund revenue. Donations are recognized on a cash basis.

(h) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(i) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

(j) Financial instruments:

The Organization has designated all of its cash and short-term deposits as held-for-trading and carries it at fair market value. Receivables are designated as loans and receivables and carried at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities and carried at amortized cost.

2. Investments:

Investments are carried at fair value and consist of the following:

	2012		2011	
	Fair value	Cost	Fair value	Cost
Bonds:				
Ontario Savings Bond, long-term	$ 886,142	$ 875,000	$ 882,221	$ 875,000
Government Bonds, short-term	713,610	694,103	340,590	326,525
Government Bonds, long-term	612,013	592,267	941,521	932,108
	2,211,765	2,161,370	2,164,332	2,133,633
Mutual funds:				
Balanced Pooled Fund - 7,858.438 units held	979,371	917,910	974,630	900,000
	3,191,136	3,079,280	3,138,962	3,033,633
Accrued interest	–	47,020	–	33,955
	$ 3,191,136	$ 3,126,300	$ 3,138,962	$ 3,067,588

During the year ended March 31, 2012, the Organization recognized an unrealized loss of $6,538 in the statement of operations (2011 - unrealized gain of $83,308). The accumulated net unrealized gain at March 31, 2012 is $64,836 (2011 - $71,374).

The Organization has investments in government bonds with varying dates of maturity, as well as investments in equity instruments.

The Organization holds securities which are subject to market risk, interest rate risk and cash flow risk. These risks will also impact future cash flow streams, including dividends, gains and losses and interest income.

2. Investments (continued):

The value of equities changes with stock market conditions. The value of securities will vary with developments within specific governments and corporations which issue securities.

The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

The value of securities denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 84,278	$ –	$ 84,278	$ 84,278
Buildings and building service equipment	1,383,133	992,747	390,386	432,492
Leasehold improvements	1,208,968	649,116	559,852	492,722
Major equipment	2,955,340	1,627,208	1,328,132	1,196,099
Major IS equipment	479,974	443,703	36,271	129,502
Site Development Project - construction in progress	969,384	–	969,384	594,325
	$ 7,081,077	$ 3,712,774	$ 3,368,303	$ 2,929,418

4. Deferred contributions:

Deferred contributions related to capital assets represent the unamortized amount of funding received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations. A grant of $1,000,000 was received in fiscal 2009 and a second grant for $88,000 in 2011 from the Ministry of Children and Youth Services to fund the planning phase of the Site Development Project. At the end of the year, deferred contributions include $434,921 (2011 - $417,491) of funds that are unspent.

	2012	2011
Balance, beginning of year	$ 2,583,379	$ 2,711,498
Contributions received	1,195,806	497,567
	3,779,185	3,209,065
Less amounts amortized to revenue	622,953	625,686
Balance, end of year	$ 3,156,232	$ 2,583,379

5. Net assets invested in capital assets:

(a) Net assets invested in capital assets are calculated as follows:

	2012	2011
Capital assets	$ 3,368,303	$ 2,929,418
Less amounts financed by deferred contributions	2,721,311	2,165,888
	$ 646,992	$ 763,530

5. Net assets invested in capital assets (continued):

(b) The change in net assets invested in capital assets is calculated as follows:

	2012	2011
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	$ 622,953	$ 625,686
Amortization of capital assets, net	(716,164)	(727,126)
	$ (93,211)	$ (101,440)
Net change in investment in capital assets:		
Purchase of capital assets, net	$ 1,155,049	$ 889,408
Amounts funded by deferred contributions	(1,178,376)	(830,160)
	$ (23,327)	$ 59,248

6. Contracts with the Ministry of Children and Youth Services:

ERINOAKKIDS has a number of programs with the Ministry of Children and Youth Services. A requirement of these programs is the completion by management of an Annual Reconciliation Report, which shows a summary of all revenue and expenditures and any resulting surplus or deficit related to the programs. The Annual Reconciliation Report will be prepared by management in June 2012. All programs are in a balanced position, except for the following:

	Surplus	
	2012	2011
Preschool Autism Intensive Behavioural Intervention Program	$ 49,691	$ 33,005
Special Services at Home Program	38,474	–

7. Ministry of Children and Youth Services revenue:

	2012	2011
Preschool Autism Intensive Behavioural Intervention Program	$ 22,404,119	$ 23,501,619
Preschool Autism Transitions Support Program	430,309	446,995
Special Services At Home Program	2,114,390	2,243,159
School Support Program Autism Spectrum Disorder	4,772,724	4,689,167
Respite Programs	521,400	521,400
Child Community Support and Case Management Program	380,461	380,461
Base Operating Grant	13,876,164	13,804,310
Preschool Speech Program	5,203,307	5,034,323
Infant Hearing Program	1,809,554	1,866,448
Blind/Low Vision	197,504	197,504
Applied Behavior Autism Spectrum Disorder Services	1,780,875	–
	$ 53,490,807	$ 52,685,386

8. Ministry of Health and Long-term Care revenue:

	2012	2011
School Health Support Services Program	$ –	$ 607,393
Alternative Funding Program	138,505	114,381
French Language Services Program	–	62,720
Assistive Devices Leasing Program	37,000	32,439
	$ 175,505	$ 816,933

9. Other revenue:

	2012	2011
Preschool Speech Partnership contributions	$ 80,371	$ 80,871
Client and other service fees	502,885	514,399
One-time grants and other income	583,135	684,577
Ontario Trillium Foundation grant	–	22,213
Sales and rentals	110,016	79,869
Other revenue - capital	50,000	50,000
	$ 1,326,407	$ 1,431,929

10. Pension plan:

Most employees of ERINOAKKIDS are members of the Hospitals of Ontario Pension Plan, which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death.

Contributions to the plan made during the year by ERINOAKKIDS on behalf of its employees amounted to $2,501,473 (2011 - $2,664,776) and is included in the statement of operations.

11. Financial instruments:

The carrying values of cash and short-term deposits, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

12. Commitments:

Under the terms of various operating leases for premises, the Organization is committed at March 31, 2012 to the following approximate minimum annual lease payments:

2013	$ 1,336,199
2014	1,191,846
2015	535,935
2016	11,700
	$ 3,075,680

13. Contingencies and indemnifications:

(a) Contingent liabilities:

On July 1, 1987, a group of health care organizations ("subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal pursuant to the Provincial Insurance Act, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the Provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2012.

(b) Director/officer indemnifications:

The Organization indemnifies its directors/officers and former directors/officers to the extent permitted by legislation against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are used as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Organization. The nature of the indemnification prevents the Organization from making a reasonable estimate of the maximum potential amount that it could be required to pay counterparties. The Organization has purchased directors' and officers' liability insurance. No amount has been accrued in the financial statements as of March 31, 2012 with respect to this liability.

14. Affiliated entity:

The ERINOAKKIDS Foundation (the "Foundation") was incorporated under the laws of Ontario without share capital as a not-for-profit organization with a sole purpose of raising funds for ERINOAKKIDS. The Foundation received its charity status registration from Canada Revenue Agency effective June 9, 2009. During the 2009 - 2010 fiscal years, the fundraising operations were carried under ERINOAKKIDS entity. Effective April 1, 2010, the ERINOAKKIDS Foundation started its operations as a separate legal entity.

14. Affiliated entity (continued):

ERINOAKKIDS is committed to funding the start-up costs of the Foundation from the Capital Fund. The total support funded from ERINOAKKIDS as at March 31, 2012 was $75,000 (2011 - $150,000).

The statement of financial position as at March 31, 2012 and the statement of operations for the year then ended of the Foundation are summarized as follows:

Statement of financial position:

	2012	2011
Total assets	$ 235,805	$ 243,194
	$ 235,805	$ 243,194
Total liabilities	$ 79,641	$ 183,245
Fund balances	156,164	59,949
	$ 235,805	$ 243,194

Statement of operations:

	2012	2011
Revenue	$ 564,728	$ 622,372
Expenses and disbursements	468,513	562,423
Excess of revenue over expenses	$ 96,215	$ 59,949

ERINOAKKIDS is reimbursed for all Foundation expenses and disbursements. Included in total liabilities of the Foundation is $60,616 (2011 - $178,245) due to ERINOAKKIDS, which is included in accounts receivable.