Financial Statements of

ERINOAKKIDS
Centre for Treatment and Development

Year ended March 31, 2014

KPMG LLP
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

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, 2014, 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 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.

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.

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, 2014 and March 31, 2013, any adjustments might be necessary to donations and fundraising revenue and excess (deficiency) of revenue over expenses reported in the statements of operations, excess 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.

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, 2014, and the results of its operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 5, 2014
Toronto, Canada

ERINOAKKIDS

Centre for Treatment and Development

Statement of Financial Position

March 31, 2014, with comparative information for 2013

	Operating Fund		Capital Fund		Segregated Funds		2014 Total		2013 Total
Assets									
Current assets:									
Cash	$	3,478,855	$	1,603,733	$	–	$	5,082,588	$ 14,073,632
Accounts receivable (note 14)		832,942		–		–		832,942	1,185,585
Prepaid expenses		297,083		–		–		297,083	154,844
		4,608,880		1,603,733		–		6,212,613	15,414,061
Investments (note 2)		–		3,465,751		56,084		3,521,835	3,149,475
Interfund receivable (payable)		2,252,369		(2,293,173)		40,804		–	–
Capital assets (note 3)		–		25,597,002		–		25,597,002	9,671,133
	$	6,861,249	$	28,373,313	$	96,888	$	35,331,450	$ 28,234,669
Liabilities and Net Assets									
Current liabilities:									
Accounts payable and accrued liabilities (notes 4 and 7)	$	6,197,462	$	4,357,756	$	–	$	10,555,218	$ 7,771,198
Deferred revenue		697,056		–		–		697,056	566,325
		6,894,518		4,357,756				11,252,274	8,337,523
Deferred contributions (note 5)		–		22,542,251		–		22,542,251	18,391,905
Net assets:									
Invested in capital assets (note 6)		–		466,751		–		466,751	542,559
Diana Thomson Award		–		–		9,927		9,927	9,927
The Care for the Kids		–		–		14,938		14,938	14,938
Restricted		–		–		72,023		72,023	72,331
Unrestricted		(33,269)		1,006,555		–		973,286	865,486
		(33,269)		1,473,306		96,888		1,536,925	1,505,241
Commitments (note 12)									
Contingencies and indemnifications (note 13)									
	$	6,861,249	$	28,373,313	$	96,888	$	35,331,450	$ 28,234,669

See accompanying notes to financial statements.

On behalf of the Board:

Stephen R Bishop ______________ Director

[signature] ______________ Director

ERINOAKKIDS

Centre for Treatment and Development

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Operating Fund	Capital Fund	Segregated Funds	2014 Total	2013 Total
Revenue:					
Ministry of Children and Youth Services (note 8)	$ 54,721,267	$ –	$ –	$ 54,721,267	$ 53,640,303
Ministry of Health and Long-term Care (note 9)	175,208	–	–	175,208	170,777
Regional Municipality of Peel	1,152,841	–	–	1,152,841	874,431
Amortization of deferred contributions (notes 5 and 6(b))	–	525,807	–	525,807	590,798
Other (note 10)	1,697,323	50,630	–	1,747,953	1,358,686
Donations and fundraising (note 15)	332,961	–	–	332,961	330,342
Dividends and interest	54,608	43,537	1,354	99,499	97,080
	58,134,208	619,974	1,354	58,755,536	57,062,417
Expenses (income):					
Salaries and benefits	37,024,395	–	–	37,024,395	35,423,593
Special Services At Home purchased services	1,750,352	–	–	1,750,352	1,869,836
Other purchased services	12,276,069	2,194	–	12,278,263	12,011,882
Professional and other fees	826,699	8,493	–	835,192	1,370,062
Supplies and minor equipment	1,497,798	(18,709)	–	1,479,089	1,559,712
Training and travel	554,807	57	–	554,864	526,696
Utilities	355,730	610	–	356,340	341,636
Rentals	2,742,078	–	–	2,742,078	2,396,154
Repairs and maintenance	236,622	–	–	236,622	181,498
Recruitment, advertising and promotion	74,707	–	–	74,707	87,356
Amortization of capital assets	–	611,318	–	611,318	675,470
Fundraising	454,928	–	–	454,928	257,384
Other	461,989	19,712	1,101	482,802	382,064
	58,256,174	623,675	1,101	58,880,950	57,083,343
	(121,966)	(3,701)	253	(125,414)	(20,926)
Unrealized gain (loss) on investments	–	157,659	(561)	157,098	89,075
Excess (deficiency) of revenue over expenses	$ (121,966)	$ 153,958	$ (308)	$ 31,684	$ 68,149

See accompanying notes to financial statements.

ERINOAKKIDS

Centre for Treatment and Development

Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative information for 2013

	Operating Fund	Capital Fund		Segregated Funds		2014	2013
	Unrestricted	Unrestricted net assets	Invested in capital assets (note 6)	Diana Thomson Award and The Care for the Kids	Restricted	Total	Total
Net assets, beginning of year	$ 88,697	$ 776,789	$ 542,559	$ 24,865	$ 72,331	$ 1,505,241	$ 1,437,092
Excess (deficiency) of revenue over expenses	(121,966)	239,469	(85,511)	–	(308)	31,684	68,149
Net change in investment in capital assets (note 6)	–	(9,703)	9,703	–	–	–	–
Net assets, end of year	$ (33,269)	$ 1,006,555	$ 466,751	$ 24,865	$ 72,023	$ 1,536,925	$ 1,505,241

See accompanying notes to financial statements.

ERINOAKKIDS

Centre for Treatment and Development

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 31,684	$ 68,149
Items not involving cash:		
Amortization of capital assets	611,318	675,470
Amortization of deferred contributions	(525,807)	(590,798)
Unrealized gain on investments	(157,098)	(89,075)
Change in non-cash operating working capital	3,125,155	(892,339)
	3,085,252	(828,593)
Financing activities:		
Deferred contributions received	4,676,153	15,826,471
Investing activities:		
Purchase of investments	(957,231)	(563,367)
Proceeds on redemption and sale of investments	741,969	694,103
Purchase of capital assets	(16,537,187)	(6,978,300)
	(16,752,449)	(6,847,564)
Increase (decrease) in cash	(8,991,044)	8,150,314
Cash, beginning of year	14,073,632	5,923,318
Cash, end of year	$ 5,082,588	$ 14,073,632

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 and Dufferin County 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:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Fund accounting and revenue recognition:

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 expenses with related funding. Resources are classified into funds that are in accordance with specified activities or objectives.

The Organization follows the deferral method of accounting for contributions.

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. Operating grants for programs are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

1. Significant accounting policies (continued):

Unrestricted contributions, including donations and fundraising are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

The Capital Fund accounts for monies received and specified for capital purposes or other special projects and purposes. These monies are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions, other than Segregated Funds, are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from client and other service fees, is recognized when the services are provided.

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 (the "Board") 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 the Site Development Project for ERINOAKKIDS. Donations into the fund will go towards the planning or construction of a new facility.

(b) 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.

1. Significant accounting policies (continued):

(c) 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.

(d) 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. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets. Actual results could differ from those estimates.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry its financial investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, ERINOAKKIDS determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount ERINOAKKIDS expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Investments:

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

	2014	2013
Guaranteed investment certificates	$ 256,095	$ –
Bonds:		
Ontario Savings Bond - short term	388,084	504,795
Ontario Savings Bond - long term	398,481	781,957
Government bonds - short term	175,261	256,238
Government bonds - long term	1,077,759	537,558
	2,039,585	2,080,548
Mutual funds:		
Balanced Pooled Fund - 8,180 units held	1,226,155	1,068,927
	$ 3,521,835	$ 3,149,475

The Ontario Savings Bonds and government bonds have an effective interest rate of 1.25% to 4.50% (2013 - 1.00% to 2.28%) and mature between June 2014 and June 2017.

3. Capital assets:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	$ 84,278	$ –	$ 84,278	$ 84,278
Buildings and building service equipment	1,458,531	1,086,665	371,866	422,595
Leasehold improvements	1,694,406	1,051,382	643,024	815,258
Major equipment	3,400,360	2,381,541	1,018,819	1,255,488
Major IS equipment	479,974	479,974	–	848
Site Development Project - construction in progress	23,479,015	–	23,479,015	7,092,666
	$ 30,596,564	$ 4,999,562	$ 25,597,002	$ 9,671,133

ERINOAKKIDS is working on a Site Development Project, whereby the Organization acquired $14,525,560 of land (2013 - $4,288,400) and incurred $8,953,455 (2013 - $2,804,266) in development costs to date recorded in construction in process. The redevelopment project is projected to be complete in 2017. Amortization will commence as each site becomes operational.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $496,719 (2013 - $482,006), which includes amounts payable for harmonized sales tax and payroll related taxes.

5. Deferred contributions:

	2014	2013
Balance, beginning of year	$ 18,391,905	$ 3,156,232
Contributions received	4,676,153	15,826,471
	23,068,058	18,982,703
Less amounts amortized to revenue	525,807	590,798
Balance, end of year	$ 22,542,251	$ 18,391,905

5. Deferred contributions (continued):

Deferred contributions related to capital assets represent the unamortized amount of funding received for the purchase of capital assets, including land. The amortization of deferred contributions is recorded as revenue in the statement of operations. The contributions received for the land acquisitions associated with the Site Development Project will be recorded as a direct increase in net assets at such time the sites become operational.

The Ministry of Children and Youth Services (the "Ministry") and ERINOAKKIDS entered into various funding agreements in connection with the Site Development Project. To date, $23,479,015 has been spent on this project and funding of $20,747,600 was received as follows:

2009	$ 1,000,000
2011	88,000
2013	15,247,600
2014	4,412,000
	$ 20,747,600

6. Net assets invested in capital assets:

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

	2014	2013
Capital assets	$ 25,597,002	$ 9,671,133
Less:		
Amounts financed by deferred contributions	22,542,251	9,128,574
Amounts financed by accounts payable and accrued liabilities	2,588,000	–
	$ 466,751	$ 542,559

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

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

	2014	2013
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	$ 525,807	$ 590,798
Amortization of capital assets	(611,318)	(675,470)
	$ (85,511)	$ (84,672)
Net change in investment in capital assets:		
Purchase of capital assets, net	$ 16,537,187	$ 6,978,300
Amounts funded by deferred contributions	(13,939,484)	(6,998,061)
Amounts funded by accounts payable and accrued liabilities	(2,588,000)	–
	$ 9,703	$ (19,761)

7. Contracts with the Ministry:

ERINOAKKIDS has a number of programs with the Ministry. A requirement of these programs is the completion by management of an Annual Reconciliation Report, which shows a summary of all revenue and expenses and any resulting surplus or deficit related to the programs. The Annual Reconciliation Report will be prepared by management in June 2014. Included in accounts payable and accrued liabilities are the following programs which are in a surplus position:

	2014	2013
Preschool Autism Intensive Behavioural Intervention Program	$ 60,892	$ 40,000
Special Services at Home Program	95,152	54,807

8. Ministry of Children and Youth Services revenue:

	2014	2013
Preschool Autism Intensive Behavioural Intervention Program	$ 22,615,781	$ 22,340,611
Preschool Autism Transitions Support Program	419,138	440,106
Special Services At Home Program	2,130,817	2,250,297
School Support Program Autism Spectrum Disorder	4,665,318	4,851,119
Respite Programs	521,400	559,287
Base Operating Grant	14,077,028	13,800,738
Preschool Speech Program	5,103,304	5,103,307
Infant Hearing Program	1,873,267	1,610,462
Blind/Low Vision	197,504	197,504
Applied Behavior Autism Spectrum Disorder Services	2,160,000	2,095,272
One-time funding - Infant Hearing Program	152,000	301,900
One-time funding - HPPSLP	150,000	80,000
One-time funding - Respite	47,310	9,700
One-time funding - Preschool Autism Intensive Behavioural	336,400	–
One-time funding - School Support Program Autism Spectrum Disorder	272,000	–
	$ 54,721,267	$ 53,640,303

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

	2014	2013
Alternative Funding Program	$ 135,208	$ 137,777
Assistive Devices Leasing Program	40,000	33,000
	$ 175,208	$ 170,777

10. Other revenue:

	2014	2013
Preschool Speech Partnership contributions	$ 80,371	$ 80,371
Client and other service fees	569,869	492,000
One-time grants and other income	867,691	574,998
Sales and rentals	179,392	161,317
Other revenue - capital	50,630	50,000
	$ 1,747,953	$ 1,358,686

11. 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 $2,573,000 (2013 - $2,536,100) and is included in the statement of operations.

12. Commitments:

Under the terms of various operating leases for premises, the Organization is committed at March 31, 2014 to the following approximate minimum annual lease payments:

2015	$ 1,152,000
2016	829,000
2017	822,000
2018	726,000
2019	369,000
	$ 3,898,000

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, 2014.

(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, 2014 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 the Organization.

The statement of financial position and the statement of operations of the Foundation are summarized as follows:

Statement of financial position:

	2014	2013
Total assets	$ 630,487	$ 578,952
	$ 630,487	$ 578,952
Total liabilities	$ 549,423	$ 445,709
Fund balances	81,064	133,243
	$ 630,487	$ 578,952

Statement of operations:

	2014	2013
Revenue	$ –	$ 33,009
Expenses and disbursements	52,179	55,930
Deficiency of revenue over expenses	$ (52,179)	$ (22,921)

Effective July 1, 2012, the Board resolved to repatriate the Foundation's entire excess (deficiency) of revenue over expenses for the remainder of the year to the Organization was recorded as a current liability in the Foundation. Additionally, ERINOAKKIDS is reimbursed for all Foundation expenses and disbursements. Included in total liabilities of the Foundation is $549,423 (2013 - $444,209) due to ERINOAKKIDS, which is included in accounts receivable.

15. Fundraising:

The revenue and expenses of the fundraising operations are as follows:

	2014	2013
General fundraising donations received during the year	$ 332,961	$ 329,400
Donations - restricted	124,313	50,682
	457,274	380,082
Expenses	454,928	257,384
Net	$ 2,346	$ 122,698

16. Financial risks:

The Organization holds investments 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.

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

The value of bonds will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equities.