

Financial Statements of

ERINOAK
Serving Young People with
Physical Disabilities

Year ended March 31, 2006



KPMG LLP
Chartered Accountants
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

AUDITORS' REPORT

To the Board of Directors of ERINOAK Serving Young People
with Physical Disabilities

We have audited the statement of financial position of ERINOAK Serving Young People with Physical Disabilities as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Organization derives revenue from donations and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation and fundraising event revenue, excess (deficiency) of revenue over expenses, current assets and unrestricted net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to verify the completeness of revenue from donations and fundraising events referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada

May 12, 2006

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Serving Young People with Physical Disabilities

Statement of Financial Position

March 31, 2006, with comparative figures for 2005


				2006	2005
	Operating Fund	Capital Fund	Segregated Funds	Total	Total
Assets					
Current assets:					
Cash and short-term deposits	\$ 4,601,324	\$ 5,089	\$ 3,232	\$ 4,609,645	\$ 2,593,261
Accounts receivable	466,372	-	-	466,372	955,799
Interest and other receivables	2,220	103,581	2,093	107,894	118,253
Prepaid expenses	140,309	-	-	140,309	187,217
	5,210,225	108,670	5,325	5,324,220	3,854,530
Investments (note 2)	-	2,587,316	47,711	2,635,027	2,543,128
Interfund receivable (payable)	1,724,909	(1,746,200)	21,291	-	-
Capital assets (note 3)	-	3,075,179	-	3,075,179	3,449,589
	\$ 6,935,134	\$ 4,024,965	\$ 74,327	\$ 11,034,426	\$ 9,847,247

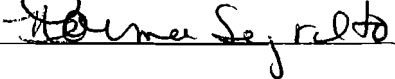
Liabilities and Net Assets

Current liabilities:					
Accounts payable and accrued liabilities	\$ 6,233,677	\$ -	\$ -	\$ 6,233,677	\$ 4,578,199
Deferred revenue	684,773	10,756	-	695,529	787,702
	6,918,450	10,756	-	6,929,206	5,365,901
Deferred contributions (note 4)	-	1,831,383	-	1,831,383	2,099,109
Net assets:					
Invested in capital assets (note 5)	-	1,243,796	-	1,243,796	1,350,480
Diana Thomson Award	-	-	10,865	10,865	10,871
Restricted	-	-	63,462	63,462	61,395
Unrestricted	16,684	939,030	-	955,714	959,491
	16,684	2,182,826	74,327	2,273,837	2,382,237
	\$ 6,935,134	\$ 4,024,965	\$ 74,327	\$ 11,034,426	\$ 9,847,247

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

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Serving Young People with Physical Disabilities

Statement of Operations

Year ended March 31, 2006, with comparative figures for 2005

				2006	2005
	Operating Fund	Capital Fund	Segregated Funds	Total	Total
Revenue:					
Ministry of Children and Youth Services (note 7)	\$ 34,518,335	\$ -	\$ -	\$ 34,518,335	\$ 27,257,921
Ministry of Health and Long-term Care (note 8)	2,588,755	-	-	2,588,755	2,341,217
Regional Municipality of Peel	628,032	-	-	628,032	664,936
Amortization of deferred contributions	-	850,174	-	850,174	773,710
Other revenue (note 9)	968,500	-	-	968,500	855,558
Donations and fundraising	306,510	-	700	307,210	343,528
Dividend and interest income	115,632	102,288	2,361	220,281	137,009
	39,125,764	952,462	3,061	40,081,287	32,373,879
Expenses:					
Salaries and benefits	27,559,451	-	-	27,559,451	22,429,535
Special services at home purchased services	1,854,911	-	-	1,854,911	1,570,164
Other purchased services	3,499,637	-	-	3,499,637	3,102,245
Professional and other fees	397,543	88,007	-	485,550	437,805
Supplies and minor equipment	1,828,888	3,521	-	1,832,409	1,372,115
Training and travel	1,095,393	1,181	-	1,096,574	781,023
Utilities	423,478	-	-	423,478	247,110
Rentals	2,027,141	-	-	2,027,141	1,213,178
Repairs and maintenance	187,882	-	-	187,882	114,178
Recruitment, advertising and promotion	54,285	664	-	54,949	114,424
Amortization of capital assets	-	1,002,012	-	1,002,012	931,385
Loss on sale of investment	-	21,177	-	21,177	-
Other	143,516	-	1,000	144,516	122,495
	39,072,125	1,116,562	1,000	40,189,687	32,435,657
Excess (deficiency) of revenue over expenses	\$ 53,639	\$ (164,100)	\$ 2,061	\$ (108,400)	\$ (61,778)

See accompanying notes to financial statements.

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Serving Young People with Physical Disabilities

Statement of Changes in Net Assets

Year ended March 31, 2006, with comparative figures for 2005

						2006	2005
	Operating Fund	Capital Fund		Segregated Funds			
	Unrestricted	Unrestricted net assets	Invested in capital assets (note 5)	Diana Thomson Award	Restricted	Total	Total
Net assets, beginning of year	\$ 4,611	\$ 954,880	\$ 1,350,480	\$ 10,871	\$ 61,395	\$ 2,382,237	\$ 2,444,015
Excess (deficiency) of revenue over expenses	53,639	(12,262)	(151,838)	(6)	2,067	(108,400)	(61,778)
Net change in investment in capital assets (note 5)	-	(45,154)	45,154	-	-	-	-
Interfund transfers	(41,566)	41,566	-	-	-	-	-
Net assets, end of year	\$ 16,684	\$ 939,030	\$ 1,243,796	\$ 10,865	\$ 63,462	\$ 2,273,837	\$ 2,382,237

See accompanying notes to financial statements.

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Serving Young People with Physical Disabilities

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (108,400)	\$ (61,778)
Items not involving cash:		
Amortization of capital assets	1,002,012	931,385
Amortization of deferred contributions	(850,174)	(773,710)
Loss on disposal of capital asset	—	3,080
<u>Change in non-cash operating working capital</u>	<u>2,109,999</u>	<u>1,003,488</u>
	2,153,437	1,102,465
Financing and investing activities:		
Long-term investments	(91,899)	(120,623)
Additions to capital assets	(627,602)	(647,619)
<u>Capital asset additions financed by deferred contributions</u>	<u>582,448</u>	<u>577,177</u>
	(137,053)	(191,065)
Increase in cash and short-term deposits	2,016,384	911,400
Cash and short-term deposits, beginning of year	2,593,261	1,681,861
<u>Cash and short-term deposits, end of year</u>	<u>\$ 4,609,645</u>	<u>\$ 2,593,261</u>
Supplemental cash flow information:		
Interest paid	\$ 7,130	\$ 7,171
Interest received	219,986	104,519

See accompanying notes to financial statements.

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Serving Young People with Physical Disabilities

Notes to Financial Statements

Year ended March 31, 2006

ERINOAK Serving Young People with Physical Disabilities (the "Organization" or "ERINOAK") 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.

ERINOAK 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, administrative and operational costs financed by provincial ministries and other agencies and includes 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 ERINOAK pursuant to written direction by the donees that the monies be held for not less than 10 years. The purpose of the Segregated Fund 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.

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2006

1. Significant accounting policies (continued):

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

(b) Cash and short-term deposits:

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

(c) Investments:

Investments are carried at cost. If the market value of investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

(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	15 - 40 years
Major equipment	5 - 15 years
Major IS equipment	5 - 15 years
Preschool Autism Program equipment	5 years
Infant Hearing Program equipment	5 years
Preschool Speech Program equipment	5 years
Therapy and service equipment	5 years
School Support Program Autism Spectrum Disorder equipment	5 years
Special Services At Home Program equipment	5 years
Respite Program equipment	5 years

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2006

1. Significant accounting policies (continued):

(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.

(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.

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Notes to Financial Statements (continued)

Year ended March 31, 2006

2. Investments:

	2006	2005
Bonds:		
Province of Ontario Bond, \$266,150 face value, 3.70% interest, due September 2007	\$ 250,000	\$ -
Ontario Savings Bond, annual step-up interest ranging from 4.25% to 6.75%, due June 2006	500,000	500,000
Ontario Savings Bond, annual step-up interest ranging from 2.25% to 4.00%, due June 2010	350,000	--
Province of Ontario treasury bill, \$153,000 face value, interest fixed at \$1,304, due June 2005	-	151,696
Government of Canada Bond, \$220,337 face value, 3.61% interest, due March 2007	200,000	200,000
Government of Canada Bond, \$201,027 face value, 3.94% interest, due December 2007	175,999	175,999
Province of Ontario Bond, \$139,821 face value, 3.26% interest, due June 2008	126,105	126,105
Province of Ontario Bond, \$164,233 face value, 3.51% interest, due November 2008	143,425	143,425
Province of Ontario Bond, \$173,751 face value, 3.47% interest, due June 2009	150,000	150,000
Province of Ontario Bond, \$133,297 face value, 6.03% interest, due June 2005	-	99,999
Province of Ontario Bond, \$222,445 face value, 4.14% interest, due December 2005	-	188,544
Government of Canada Bond, \$182,827 face value, 3.35% interest, due June 2006	168,000	168,000
Government of Canada Bond, \$166,611 face value, 3.49% interest, due December 2006	150,000	150,000
Mutual funds:		
Fidelity Growth America Fund - 2,883 units held (2005 - 5,507)	89,325	170,502
Templeton Growth Fund - 15,626 units held (2005 - 15,626)	166,717	166,717
Trimark Enterprise Fund - 8,767 units held (2005 - 8,193)	165,456	152,141
	<u>\$ 2,635,027</u>	<u>\$ 2,543,128</u>

The aggregate market value at March 31, 2006 is \$2,769,010 (2005 - \$2,654,343).

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Notes to Financial Statements (continued)

Year ended March 31, 2006

3. Capital assets:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 84,278	\$ —	\$ 84,278	\$ 84,278
Buildings and building service equipment	1,326,940	761,575	565,365	602,935
Leasehold improvements	365,381	193,746	171,635	198,479
Major equipment	659,734	256,840	402,894	400,036
Major IS equipment	144,389	90,566	53,823	73,864
Preschool Autism Program equipment	957,811	444,160	513,651	330,418
Infant Hearing Program equipment	488,182	309,579	178,603	392,808
Preschool Speech Program equipment	162,741	91,997	70,744	92,311
Therapy and service equipment	1,830,471	1,074,246	756,225	1,024,796
School Support Program Autism Spectrum Disorder equipment	341,658	71,722	269,936	239,403
Special Services At Home Program equipment	4,343	941	3,402	4,271
Respite Program equipment	6,834	2,211	4,623	5,990
	\$ 6,372,762	\$ 3,297,583	\$ 3,075,179	\$ 3,449,589

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.

	2006	2005
Balance, beginning of year	\$ 2,099,109	\$ 2,295,643
Contributions received	582,448	577,176
	2,681,557	2,872,819
Less amounts amortized to revenue	850,174	773,710
Balance, end of year	\$ 1,831,383	\$ 2,099,109

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Notes to Financial Statements (continued)

Year ended March 31, 2006

5. Net assets invested in capital assets:

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

	2006	2005
Capital assets	\$ 3,075,179	\$ 3,449,589
Less amounts financed by deferred contributions	1,831,383	2,099,109
	<u>\$ 1,243,796</u>	<u>\$ 1,350,480</u>

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

	2006	2005
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 850,174	\$ 773,710
Amortization of capital assets	(1,002,012)	(931,385)
	<u>\$ (151,838)</u>	<u>\$ (157,675)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 627,602	\$ 647,619
Amounts funded by deferred contributions	(582,448)	(577,177)
	<u>\$ 45,154</u>	<u>\$ 70,442</u>

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Notes to Financial Statements (continued)

Year ended March 31, 2006

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

ERINOAK 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 prepared by management indicates the following programs to be in a surplus position as at March 31, 2006. Any surplus amounts are included in accounts payable on the statement of financial position.

		Surplus	
		2006	2005
Special Services At Home Program	\$	72,583	\$ 65,070
Preschool Autism Intensive Behavioural Intervention Program		145,957	179,708
Respite Programs		8,755	-
School Support Program Autism Spectrum Disorder		473,483	473,483
Preschool Autism Transitions Support Program		24,958	24,956

7. Ministry of Children and Youth Services revenue:

		2006	2005
Preschool Autism Intensive Behavioural Intervention Program	\$	11,062,205	\$ 8,593,578
Pre-school Autism Transitions Support Program		378,689	423,452
Special Services At Home Program		2,003,331	1,673,815
School Support Program Autism Spectrum Disorder		5,104,771	1,551,866
Respite Programs		407,446	453,066
Child Community Support and Case Management Program		86,973	84,180
Base Operating Grant		9,943,493	9,861,447
Preschool Speech Program		4,019,722	3,344,632
Infant Hearing Program		1,511,705	1,271,885
	\$	34,518,335	\$ 27,257,921

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2006

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

	2006	2005
School Health Support Services Program	\$ 2,377,347	\$ 2,127,770
Alternative Funding Program	117,746	117,746
French Language Services Program	77,698	76,701
Assistive Devices Leasing Program	15,964	19,000
	<u>\$ 2,588,755</u>	<u>\$ 2,341,217</u>

Effective December 2004, certain programs funded under the Ministry of Health and Long-term Care were transferred to the Ministry of Children and Youth Services.

9. Other revenue:

	2006	2005
Preschool Speech Partnership contributions	\$ 350,236	\$ 328,571
United Way of Peel Region Grants and designated donations	101,306	92,119
Client and other service fees	204,298	242,068
One-time grants and other income	154,510	83,577
Ontario Trillium Foundation grant	118,700	75,000
Sales and rentals	39,450	34,223
	<u>\$ 968,500</u>	<u>\$ 855,558</u>

10. Pension plan:

Most employees of ERINOAK 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 ERINOAK on behalf of its employees amounted to \$1,614,424 (2005 - \$1,334,880) and is included in the statement of operations.

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2006

11. Financial instruments:

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

12. Commitments:

Under the terms of various operating leases for premises, the Organization is committed at March 31, 2006 to the following approximate minimum annual lease payments:

2007	\$	699,000
2008		468,000
2009		228,000
2010		190,000
	\$	<u>1,585,000</u>

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, 2006.

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2006

13. Contingencies and indemnifications (continued):

(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 sued 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, 2006 with respect to this liability.

14. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.