

Financial Statements of

ERINOAK

Serving Young People with
Physical Disabilities

Year ended March 31, 2007



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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, 2007 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 of 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, 2007 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, Licensed Public Accountants

Toronto, Canada

May 11, 2007

ERINOAK

Serving Young People with Physical Disabilities

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

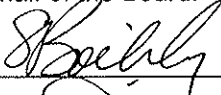
				2007	2006
	Operating Fund	Capital Fund	Segregated Funds	Total	Total
Assets					
Current assets:					
Cash and short-term deposits	\$ 4,726,331	\$ 600,615	\$ 3,335	\$ 5,330,281	\$ 4,609,645
Accounts receivable	1,539,748	—	—	1,539,748	466,372
Interest and other receivables	2,409	85,118	4,522	92,049	107,894
Prepaid expenses	166,489	—	—	166,489	140,309
	6,434,977	685,733	7,857	7,128,567	5,324,220
Investments (note 2)	—	2,105,636	47,711	2,153,347	2,635,027
Interfund receivable (payable)	1,851,647	(1,872,439)	20,792	—	—
Capital assets (note 3)	—	3,136,560	—	3,136,560	3,075,179
	\$ 8,286,624	\$ 4,055,490	\$ 76,360	\$ 12,418,474	\$ 11,034,426

Liabilities and Net Assets

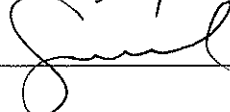
Current liabilities:					
Accounts payable and accrued liabilities	\$ 6,572,887	\$ —	\$ —	\$ 6,572,887	\$ 6,233,677
Deferred revenue	1,704,668	2,956	—	1,707,624	695,529
	8,277,555	2,956	—	8,280,511	6,929,206
Deferred contributions (note 4)	—	2,040,768	—	2,040,768	1,831,383
Net assets:					
Invested in capital assets (note 5)	—	1,102,698	—	1,102,698	1,243,796
Diana Thomson Award	—	—	10,365	10,365	10,865
Restricted	—	—	65,995	65,995	63,462
Unrestricted	9,069	909,068	—	918,137	955,714
	9,069	2,011,766	76,360	2,097,195	2,273,837
	\$ 8,286,624	\$ 4,055,490	\$ 76,360	\$ 12,418,474	\$ 11,034,426

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ERINOAK

Serving Young People with Physical Disabilities

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

				2007	2006
	Operating Fund	Capital Fund	Segregated Funds	Total	Total
Revenue:					
Ministry of Children and Youth Services (note 7)	\$ 38,348,022	\$ --	\$ --	\$ 38,348,022	\$ 34,518,335
Ministry of Health and Long-term Care (note 8)	2,535,650	--	--	2,535,650	2,588,755
Regional Municipality of Peel	628,032	--	--	628,032	628,032
Amortization of deferred contributions	--	741,078	--	741,078	850,174
Other revenue (note 9)	1,086,400	--	--	1,086,400	968,500
Donations and fundraising	324,231	--	500	324,731	307,210
Dividend and interest income	228,314	95,572	2,533	326,419	220,281
	43,150,649	836,650	3,033	43,990,332	40,081,287
Expenses:					
Salaries and benefits	30,592,913	--	--	30,592,913	27,559,451
Special Services At Home purchased services	2,301,339	--	--	2,301,339	1,854,911
Other purchased services	4,311,055	--	--	4,311,055	3,499,637
Professional and other fees	872,790	171,762	--	1,044,552	485,550
Supplies and minor equipment	1,361,083	4,089	--	1,365,172	1,832,409
Training and travel	1,280,454	4,062	--	1,284,516	1,096,574
Utilities	415,597	--	--	415,597	423,478
Rentals	1,527,270	--	--	1,527,270	2,027,141
Repairs and maintenance	141,160	--	--	141,160	187,882
Recruitment, advertising and promotion	156,805	2,546	--	159,351	54,949
Amortization of capital assets	--	873,846	--	873,846	1,002,012
Loss on sale of investment	--	--	--	--	21,177
Loss on sale of capital assets	--	8,330	--	8,330	--
Other	140,873	--	1,000	141,873	144,516
	43,101,339	1,064,635	1,000	44,166,974	40,189,687
Excess (deficiency) of revenue over expenses	\$ 49,310	\$ (227,985)	\$ 2,033	\$ (176,642)	\$ (108,400)

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, 2007, with comparative figures for 2006

						2007	2006
	<u>Operating Fund</u>	<u>Capital Fund</u>		<u>Segregated Funds</u>			
	Unrestricted	Unrestricted net assets	Invested in capital assets (note 5)	Diana Thomson Award	Restricted	Total	Total
Net assets, beginning of year	\$ 16,684	\$ 939,030	\$ 1,243,796	\$ 10,865	\$ 63,462	\$ 2,273,837	\$ 2,382,237
Excess (deficiency) of revenue over expenses	49,310	(86,887)	(141,098)	(500)	2,533	(176,642)	(108,400)
Interfund transfers	(56,925)	56,925	-	-	-	-	-
Net assets, end of year	\$ 9,069	\$ 909,068	\$ 1,102,698	\$ 10,365	\$ 65,995	\$ 2,097,195	\$ 2,273,837

See accompanying notes to financial statements.

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Serving Young People with Physical Disabilities

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (176,642)	\$ (108,400)
Items not involving cash:		
Amortization of capital assets	873,846	1,002,012
Amortization of deferred contributions	(741,078)	(850,174)
Loss on sale of capital assets	8,330	-
Change in non-cash operating working capital	267,594	2,109,999
	<u>232,050</u>	<u>2,153,437</u>
Financing and investing activities:		
Investments	481,680	(91,899)
Additions to capital assets	(943,557)	(627,602)
Deferred contributions received	950,463	582,448
	<u>488,586</u>	<u>(137,053)</u>
Increase in cash and short-term deposits	720,636	2,016,384
Cash and short-term deposits, beginning of year	4,609,645	2,593,261
Cash and short-term deposits, end of year	<u>\$ 5,330,281</u>	<u>\$ 4,609,645</u>
Supplemental cash flow information:		
Interest paid	\$ 9,683	\$ 7,130
Interest received	326,655	219,986

See accompanying notes to financial statements.

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Serving Young People with Physical Disabilities

Notes to Financial Statements

Year ended March 31, 2007

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 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.

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2007

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, 2007

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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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2007

2. Investments:

	2007	2006
Bonds:		
Province of Ontario Bond, \$266,150 face value, 3.70% interest, due September 2007	\$ 250,000	\$ 250,000
Ontario Savings Bond, annual step-up interest ranging from 4.25% to 6.75%, due June 2006	—	500,000
Ontario Savings Bond, annual step-up interest ranging from 2.25% to 4.00%, due June 2010	—	350,000
Government of Canada Bond, \$220,337 face value, 3.61% interest, due March 2007	—	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
Government of Canada Bond, \$182,827 face value, 3.35% interest, due June 2006	—	168,000
Government of Canada Bond, \$166,611 face value, 3.49% interest, due December 2006	—	150,000
Province of Ontario Bond, \$214,868 face value, 4.20% interest, due April 2008	199,999	—
Province of British Columbia Bond, \$196,000 face value, 4.05% interest, due June 2009	175,028	—
Ontario Savings Bond, annual variable rate interest, 3.90% (June 2006 - June 2007), due June 2013	500,000	—
Mutual funds:		
Fidelity Growth America Fund - 2,883 units held (2006 - 2,883)	89,325	89,325
Templeton Growth Fund - 15,626 units held (2006 - 15,626)	166,717	166,717
Trimark Enterprise Fund - 9,209 units held (2006 - 8,767)	176,749	165,456
	<u>\$ 2,153,347</u>	<u>\$ 2,635,027</u>

The aggregate market value at March 31, 2007 is \$2,234,082 (2006 - \$2,769,010).

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Notes to Financial Statements (continued)

Year ended March 31, 2007

3. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 84,278	\$ —	\$ 84,278	\$ 84,278
Buildings and building service equipment	1,326,940	799,145	527,795	565,365
Leasehold improvements	330,663	180,664	149,999	171,635
Major equipment	599,618	285,377	314,241	402,894
Major IS equipment	107,122	74,877	32,245	53,823
Preschool Autism Program equipment	816,925	360,534	456,391	513,651
Infant Hearing Program equipment	434,625	230,744	203,881	178,603
Preschool Speech Program equipment	88,760	37,623	51,137	70,744
Therapy and service equipment	1,750,260	786,536	963,724	756,225
School Support Program Autism Spectrum Disorder equipment	483,310	145,613	337,697	269,936
Special Services At Home Program equipment	14,204	2,289	11,915	3,402
Respite Program equipment	6,834	3,577	3,257	4,623
	\$ 6,043,539	\$ 2,906,979	\$ 3,136,560	\$ 3,075,179

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. At the end of the year, deferred contributions include \$6,906 (2005 - nil) of funds that are unspent.

	2007	2006
Balance, beginning of year	\$ 1,831,383	\$ 2,099,109
Contributions received	950,463	582,448
	2,781,846	2,681,557
Less amounts amortized to revenue	741,078	850,174
Balance, end of year	\$ 2,040,768	\$ 1,831,383

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2007

5. Net assets invested in capital assets:

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

	2007	2006
Capital assets	\$ 3,136,560	\$ 3,075,179
Less amounts financed by deferred contributions	2,033,862	1,831,383
	\$ 1,102,698	\$ 1,243,796

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

	2007	2006
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 741,078	\$ 850,174
Amortization of capital assets	(873,846)	(1,002,012)
Loss on sale of capital assets	(8,330)	-
	\$ (141,098)	\$ (151,838)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 943,557	\$ 627,602
Amounts funded by deferred contributions	(943,557)	(582,448)
	\$ -	\$ 45,154

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2007

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, 2007. Any surplus amounts are included in accounts payable on the statement of financial position.

	2007	Surplus 2006
Special Services At Home Program	\$ —	\$ 72,583
Preschool Autism Intensive Behavioural Intervention Program	216,784	145,957
Respite Programs	—	8,755
School Support Program Autism Spectrum Disorder	82,567	473,483
Preschool Autism Transitions Support Program	—	24,958
Infant Hearing Program	123,112	—
Base Operating Grant	702,888	—

7. Ministry of Children and Youth Services revenue:

	2007	2006
Preschool Autism Intensive Behavioural Intervention Program	\$ 12,518,317	\$ 11,062,205
Preschool Autism Transitions Support Program	391,226	378,689
Special Services At Home Program	2,476,029	2,003,331
School Support Program Autism Spectrum Disorder	5,555,827	5,104,771
Respite Programs	519,379	407,446
Child Community Support and Case Management Program	86,976	86,973
Base Operating Grant	10,732,429	9,943,493
Preschool Speech Program	4,583,985	4,019,722
Infant Hearing Program	1,483,854	1,511,705
	\$ 38,348,022	\$ 34,518,335

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2007

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

	2007	2006
School Health Support Services Program	\$ 2,324,206	\$ 2,377,347
Alternative Funding Program	117,746	117,746
French Language Services Program	77,698	77,698
Assistive Devices Leasing Program	16,000	15,964
	<u>\$ 2,535,650</u>	<u>\$ 2,588,755</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:

	2007	2006
Preschool Speech Partnership contributions	\$ 118,479	\$ 350,236
United Way of Peel Region Grants and designated donations	111,934	101,306
Client and other service fees	214,445	204,298
One-time grants and other income	505,367	154,510
Ontario Trillium Foundation grant	110,314	118,700
Sales and rentals	25,861	39,450
	<u>\$ 1,086,400</u>	<u>\$ 968,500</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 \$1,954,162 (2006 - \$1,614,424) 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, 2007

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, 2007 to the following approximate minimum annual lease payments:

2008	\$	948,464
2009		918,984
2010		876,075
2011		661,532
2012		619,767
Thereafter		308,204
		<hr/>
	\$	4,333,026

Erinoak has entered into an agreement with Westbury International (1991) Corporation to lease space at 2060 Winston Park Drive, Oakville. The letter of intent has been accepted by both parties but the lease documents have not been signed as of May 11, 2007.

The lease will be for a five-year term, starting on August 1, 2007. The annual minimum basic rent will be \$38,196 for 2008, \$57,294 for 2009 to 2012, and \$19,098 for 2013, for a total commitment of \$286,470.

Additional rent will be \$29,708 for 2008, \$44,562 for 2009 to 2012, and \$14,854 for 2013, for a total commitment of \$222,810.

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Serving Young People with Physical Disabilities

Notes to Financial Statements (continued)

Year ended March 31, 2007

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, 2007.

(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, 2007 with respect to this liability.