



Financial Statements of

**BENNETT HEALTH CARE
CENTRE**

Year ended December 31, 2010



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Bennett Health Care Centre

We have audited the accompanying financial statements of Bennett Health Care Centre, which comprise the statement of financial position as at December 31, 2010, and the statements of revenues and expenditures, changes in net assets, and cash flows for the year then ended, and 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.

Auditor's 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 an 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 the auditor's 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, the auditor considers 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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Bennett Health Care Centre derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenditures, current assets and net assets.



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 Bennett Health Care Centre as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Hamilton, Canada

May 25, 2011

BENNETT HEALTH CARE CENTRE

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	Long Term Care	The Gallery Bennett Village	Other	Development Fund	2010	2009
Assets						
Current assets:						
Cash	\$ 697,643	\$ 2,451,826	\$ 186,462	\$ 23,505	\$ 3,359,436	\$ 4,588,282
Accounts receivable	72,704	51,706	4,805	678	129,893	231,375
Prepaid expenses and deposits	32,593	9,288	-	-	41,881	23,123
Life lease units available for sale (note 2)	-	-	-	-	-	4,025,871
	802,940	2,512,820	191,267	24,183	3,531,210	8,868,651
Interfund loan receivable (note 3)	486,243	-	221,253	8,891	716,387	730,276
Capital assets (note 4)	114,626	-	510,210	1,045,661	1,670,497	1,626,150
	600,869	-	731,463	1,054,552	2,386,884	2,356,426
	\$ 1,403,809	\$ 2,512,820	\$ 922,730	\$ 1,078,735	\$ 5,918,094	\$ 11,225,077

Liabilities and Net Assets

Current liabilities:						
Accounts payable and accrued liabilities	\$ 437,595	\$ 221,023	\$ 28,491	\$ -	\$ 687,109	\$ 1,227,525
Bank loan payable (note 5)	-	-	-	-	-	5,210,325
Life lease deposits	-	-	-	-	-	254,205
Deferred revenue	6,837	-	-	-	6,837	31,846
	444,432	221,023	28,491	-	693,946	6,723,901
Interfund loan payable (note 3)	-	707,496	8,891	-	716,387	730,276
Net assets:						
Capital fund	114,626	-	510,210	1,045,661	1,670,497	1,626,150
Restricted for replacements and development (note 6)	406,071	-	100,000	-	506,071	506,071
Unrestricted	438,680	1,584,301	275,138	33,074	2,331,193	1,638,679
	959,377	1,584,301	885,348	1,078,735	4,507,761	3,770,900
Commitments (note 7)						
Contingent liability (note 8)						
	\$ 1,403,809	\$ 2,512,820	\$ 922,730	\$ 1,078,735	\$ 5,918,094	\$ 11,225,077

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

BENNETT HEALTH CARE CENTRE

Statement of Revenues and Expenditures

Year ended December 31, 2010, with comparative figures for 2009

	Long Term Care	The Gallery Bennett Village	Other	Development Fund	2010	2009
Revenues:						
Ministry of Health	\$ 2,647,297	\$ -	\$ -	\$ -	\$ 2,647,297	\$ 2,506,970
Residents	1,416,121	-	-	-	1,416,121	1,401,109
Life lease unit resale commissions	-	-	-	29,590	29,590	24,280
Investment and other	10,265	22,472	5,871	-	38,608	30,247
Donations	-	-	22,818	-	22,818	9,004
Property management	-	492,351	-	-	492,351	229,324
	4,073,683	514,823	28,689	29,590	4,646,785	4,200,934
Sales of life lease units	-	4,946,292	-	-	4,946,292	25,047,119
Cost of sales	-	4,209,659	-	-	4,209,659	21,756,754
Net sales of life lease units	-	736,633	-	-	736,633	3,290,365
	4,073,683	1,251,456	28,689	29,590	5,383,418	7,491,299
Expenditures:						
Nursing and personal care	2,095,052	-	-	-	2,095,052	2,168,216
Accommodation and other	1,510,702	592,914	1,234	13,582	2,118,432	2,940,046
Program and supportive services	204,663	-	-	-	204,663	204,135
Life lease unit resale expenses	-	-	-	5,714	5,714	1,500
Raw food	183,799	-	-	-	183,799	184,945
	3,994,216	592,914	1,234	19,296	4,607,660	5,498,842
Excess of revenues over expenditures before inadmissibles	79,467	658,542	27,455	10,294	775,758	1,992,457
Inadmissibles: Amortization	38,897	-	-	-	38,897	40,955
Excess of revenues over expenditures	\$ 40,570	\$ 658,542	\$ 27,455	\$ 10,294	\$ 736,861	\$ 1,951,502

See accompanying notes to financial statements.

BENNETT HEALTH CARE CENTRE

Statement of Changes in Net Assets

Year ended December 31, 2010, with comparative figures for 2009

	Long Term Care	The Gallery Bennett Village	Other	Future Development Fund	2010	2009
Net assets, beginning of year:	\$ 835,302	\$ 925,759	\$ 941,398	\$ 1,068,441	\$ 3,770,900	\$ 1,819,398
Excess of revenues over expenditures	\$ 40,570	\$ 658,542	\$ 27,455	\$ 10,294	\$ 736,861	\$ 1,951,502
Fund transfers (note 4)	83,505	-	(83,505)	-	-	-
Net assets, end of year	\$ 959,377	\$ 1,584,301	\$ 885,348	1,078,735	\$ 4,507,761	\$ 3,770,900

See accompanying notes to financial statements.

BENNETT HEALTH CARE CENTRE

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	\$ 736,861	\$ 1,951,502
Item not involving cash:		
Amortization of capital assets	38,897	40,955
Change in non-cash operating working capital:		
Decrease in accounts receivable	101,482	92,735
Increase in prepaid expenses and deposits	(18,758)	(6,438)
Decrease in life lease units available for sale	4,025,871	17,664,988
Decrease in accounts payable and accrued liabilities	(540,416)	(3,814,098)
(Decrease) increase in deferred revenue	(25,009)	31,846
Decrease in life lease deposits	(254,205)	(8,714,978)
	4,064,723	7,246,512
Financing:		
Decrease in bank loan payable	(5,210,325)	(3,894,975)
Investments:		
Purchase of capital assets	(83,244)	(1,070,352)
(Decrease) increase in cash position	(1,228,846)	2,281,185
Cash position, beginning of year	4,588,282	2,307,097
Cash position, end of year	\$ 3,359,436	\$ 4,588,282

See accompanying notes to financial statements.

BENNETT HEALTH CARE CENTRE

Notes to Financial Statements

Year ended December 31, 2010

Bennett Health Care Centre (the "Centre") operates a permanently licensed long-term care facility under The Nursing Homes Act (Ontario). The Centre is incorporated under The Corporations Act of Ontario as a not-for-profit organization.

The Centre is also the developer of a new and innovative housing campus. The Gallery Bennett Village (the "Gallery"), is an important part of a long term plan to provide a continuum of care to seniors who desire independent living. The Gallery opened to residents during 2009.

1. Significant accounting policies:

(a) Fund accounting:

The Centre follows the restricted fund method of accounting for contributions, which include donations and government grants.

The Long Term Care Division ("LTC") accounts for the organization's activities and the provision of long term care to its residents. This fund reports revenues related to these activities, which include restricted operating grants and other unrestricted resources.

The Capital Fund reports the assets, liabilities, revenues and expenditures related to the organization's capital assets. This fund reports restricted contributions related to the purchase of capital assets.

The Gallery Bennett Village Division accounts for the operations of the Gallery, including initial life lease unit sales.

The Other Division ("Other") accounts for the other activities of the organization. This fund reports both restricted and unrestricted contributions.

The Future Development Fund ("FDF") accounts for commissions earned on resales of the life lease units. The fund is used to account for future development.

(b) Capital assets:

Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Equipment (LTC)	Straight-line	5 years
Leasehold improvements (LTC)	Straight-line	5 years

Equipment and leasehold improvements funded by donations and Ministry of Health grants are capitalized and amortized on a straight line basis over five years. Amortization is not recognized or funded by the Ministry of Health and Long-Term Care of the Province of Ontario.

BENNETT HEALTH CARE CENTRE

Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(c) Pension plan:

The Centre has a defined contribution pension plan that covers full time employees who have completed six months of service. Contributions to the plan are based on matching of the participants' 4% contributions on regular earnings. The amount of pension expenditure for the year was \$39,400 (2009 - \$ 33,468).

(d) Revenue recognition:

The Centre is funded primarily by the Province of Ontario in accordance with the financial management provisions governing the operations of Long Term Care facilities established by the Ministry of Health according to the Long Term Care Statute Law Amendment Act of 1993. Operating grants are recorded as revenue in the Long Term Care Division in the period to which they relate. Grants approved but not received by the end of an accounting period are accrued and recorded as income of the period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended December 31, 2010.

Restricted donations related to the operation of the Long Term Care Division are recognized as revenue in the year in which the related expenditures are incurred. Restricted contributions are recognized as revenue in the Other Division in the year in which the related expenditures are incurred.

Unrestricted donations 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 are recognized as revenue in the year in which the related expenses are recognized.

The Gallery Bennett Village revenues are recognized in accordance with the terms of the purchase agreements. Refundable deposits on life lease units are recorded as a liability.

The Future Development Fund revenues are recognized in accordance with the terms of the purchase agreements.

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 of the related capital assets.

BENNETT HEALTH CARE CENTRE

Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(e) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenditures during the year. Actual results could differ from those estimates.

(f) Financial instruments:

Under the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855 "Financial Instruments - Recognition and Measurement" and 3861 "Financial Instruments - Presentation and Disclosure", all financial instruments are initially recorded on the balance sheet at fair value. They are subsequently valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held to maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the statement of revenues and expenditures. Financial assets classified as held to maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method.

The Centre has classified its financial instruments as follows:

Cash	Held-for-trading
Accounts receivable	Loan and receivables
Accounts payable and accrued liabilities	Other liabilities
Bank loan payable	Loan and receivables
Life lease deposits	Other liabilities

The Centre has elected to not separately account for embedded derivatives.

2. Life lease units available for sale:

The cost of the life lease units include development costs, realty taxes, utilities and interest on general borrowing incurred in connection with the development and construction of the Gallery. During the year the Gallery sold its remaining inventory of 17 units and now has a total occupancy of 105 units.

BENNETT HEALTH CARE CENTRE

Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Interfund loans:

The loans between funds are non-interest bearing and have no set repayment terms.

4. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land (Other)	\$ 510,210	\$ -	\$ 510,210	\$ 510,210
Land improvements (FDF)	1,045,661	-	1,045,661	1,045,661
Equipment (LTC)	312,973	209,440	103,533	59,438
Leasehold improvements (LTC)	37,113	26,020	11,093	10,841
	\$ 1,905,957	\$ 235,460	\$ 1,670,497	\$ 1,626,150

During the year, the Centre's Other Division purchased capital assets on behalf of the Long Term Care Division. The assets in the amount of \$83,505 are recorded as capital additions to the Long Term Care Division. A fund transfer of \$83,505 was completed to account for the transfer of these assets from the Other Division to the Long Term Care Division.

In 2009, the Centre created a fourth fund, titled the Future Development Fund. This fund was created to capture the activities related to the Centre's future development activities. During 2009, the Centre transferred \$1,045,661 in land improvement costs from the Long Term Care Division to the Future Development Fund. These land improvement costs relate to the portion of undeveloped land which has been partially serviced for future development.

5. Bank loan payable:

Royal Bank of Canada has made available a revolving demand loan, to a maximum amount of \$200,000, bearing interest at prime plus 0.50% per annum, interest payable monthly. The loan is secured by a general security agreement. As at December 31, 2010, the balance was \$nil (2009 - \$nil).

Meridian Credit Union provided a development loan, to a maximum amount of \$22,000,000, bearing interest at prime plus 1.25% per annum, payable monthly. The loan was refinanced in August 2009 with a term loan for \$9,500,000 bearing interest of prime plus 2.75% per annum, payable on a fixed schedule. The loan was repaid in 2010 and as at December 31, 2010, the balance was \$nil (2009 - \$5,210,325). The loan was secured by the Credit Union through a first position collateral mortgage, life lease agreements and benefits, assignment of any rents and leases, and general security agreement on the Centre's assets.

During 2010, \$nil (2009 - \$313,427) of interest was capitalized in relation to the Gallery development.

BENNETT HEALTH CARE CENTRE

Notes to Financial Statements (continued)

Year ended December 31, 2010

6. Reserve for replacements and development:

In prior years, the board of directors approved the transfer of funds from the unrestricted net assets of the Long Term Care Division to restricted funds for equipment replacement and land development.

7. Commitments:

The Centre has entered into a long term lease for the use of a portion of a Halton Healthcare Services Corporation's building and equipment. The contract calls for annual payments of \$80,000 and expires in 2034.

A support services agreement existed with Halton Healthcare Service Corporation whereby certain services and supplies were provided as necessary to operate the nursing home. This formal agreement expired December 31, 2008, and a new agreement has not been reached. The expired arrangement calls for an efficiency incentive whereby the hospital receives 25% of the Long Term Care Division's annual excess of revenues over expenditures before inadmissibles. The Centre has not accounted for any efficiency incentive to Halton Healthcare Service Corporation. It is the Centre's intention to enter into a new agreement at which time efficiency sharing arrangements will be determined.

The Centre is currently receiving food and housekeeping services from Extendicare Canada. The agreement between Extendicare and the Centre is currently in progress but has not been finalized. Expenses such as raw food, supplies, etc. will be charged as incurred. The agreement with Extendicare Canada, which is yet to be finalized, calls for a fixed Management Fee payable for the first 5 years starting with \$45,000 in the first year, with small cost of living adjustments each year thereafter. This arrangement with Extendicare was effective November 25, 2008.

8. Contingent liability:

The Centre was contingently liable for letters of credit as at December 31, 2010 in the amount of \$226,827 (2009 - \$289,675).

Certain claims exist against the Centre. These claims are not expected to be successful in order to have a material impact on the financial position or results of the Centre.

BENNETT HEALTH CARE CENTRE

Notes to Financial Statements (continued)

Year ended December 31, 2010

9. Financial instruments:

Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Centre has a significant number of customers which minimizes concentration of credit risk.

Fair value risk:

The Centre's carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, deferred revenues and bank loan payable approximate fair value due to the immediate or short term maturity of these instruments.

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Centre manages exposure through its normal operating and financing activities. The Centre was exposed to interest rate risk primarily through its floating interest rate bank loan.

10. Capital management:

In managing capital, the Centre focuses on liquid resources available for operations. The Centre's objective is to have sufficient liquidity to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquidity is considered in the preparation of the annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2010, the Centre has met its objective of having sufficient liquidity to meet its current obligations.