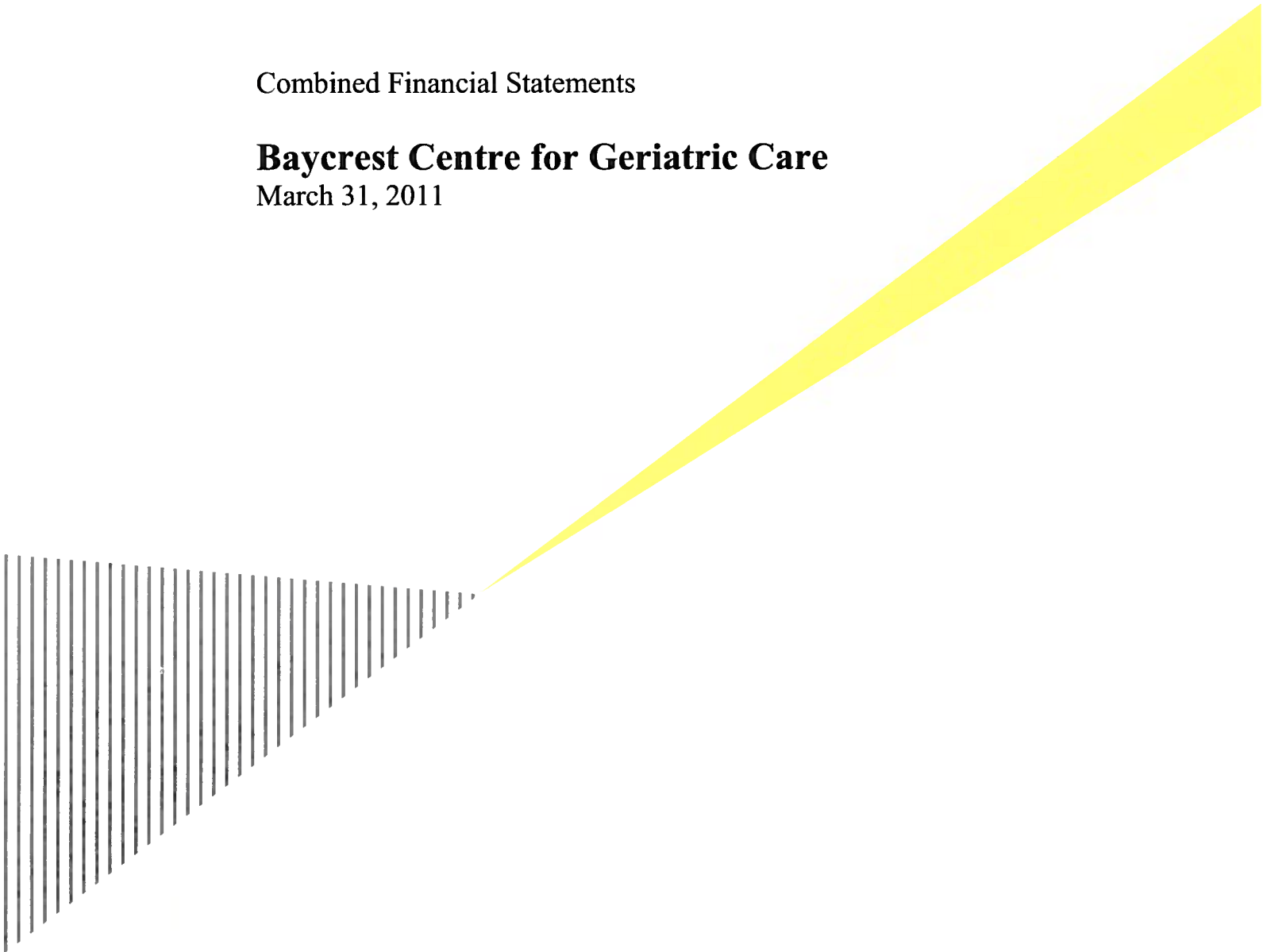


Combined Financial Statements

Baycrest Centre for Geriatric Care

March 31, 2011



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Baycrest Centre for Geriatric Care

REPORT ON COMBINED FINANCIAL STATEMENTS

We have audited the accompanying combined financial statements of **Baycrest Centre for Geriatric Care**, which comprise the statement of financial position as at March 31, 2011 and the combined statements of operations, changes in deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of **Baycrest Centre for Geriatric Care** as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 16, 2011.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Baycrest Centre for Geriatric Care

COMBINED STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at March 31

	2011	2010
	\$	\$
ASSETS		
Current		
Cash [note 3]	50	10,969
Cash held on behalf of Ministry of Health and Long-Term Care [note 4]	403	4,434
Short-term investments [note 5]	1,300	1,800
Accounts receivable [note 4]	5,573	3,637
Inventories, deposits and prepaid expenses	1,875	1,642
Total current assets	9,201	22,482
Investment [note 6]	10	266
Fixed assets, net [note 7]	97,500	98,735
	106,711	121,483
LIABILITIES AND DEFICIT		
Current		
Bank indebtedness [note 3]	3,054	—
Accounts payable and accrued liabilities [note 9]	23,351	23,587
Due to Ministry of Health and Long-Term Care [note 4]	403	4,571
Deferred program contributions [note 10]	6,188	6,475
Due to The Baycrest Centre Foundation [note 15[c]]	3,494	13,225
Residents' trust funds [note 3]	50	110
Total current liabilities	36,540	47,968
Long-term debt [note 9]	11,166	12,169
Deferred capital contributions [note 10]	64,812	67,677
Employee future benefits [note 11]	7,496	7,282
Total liabilities	120,014	135,096
Contingencies [note 13]		
Commitment [note 14]		
Deficit	(13,303)	(13,613)
	106,711	121,483

See accompanying notes

On behalf of the Board:



Director



Director

Baycrest Centre for Geriatric Care

COMBINED STATEMENT OF OPERATIONS

[in thousands of dollars]

Year ended March 31

	2011	2010
	\$	\$
REVENUE		
Ministry of Health and Long-Term Care and the Toronto Central Local Health Integration Network	90,862	88,151
Charges for services	21,081	21,221
The Baycrest Centre Foundation grants <i>[note 15[b]]</i>	14,807	14,614
Other grants	8,037	7,375
Amortization of deferred capital contributions <i>[note 10]</i>	4,532	4,135
Sundry	5,457	5,982
	<u>144,776</u>	<u>141,478</u>
EXPENSES		
Salaries and employee benefits <i>[note 11]</i>	107,225	100,833
Other operating <i>[note 6]</i>	29,161	28,018
Amortization of fixed assets	7,280	7,173
Interest <i>[notes 9 and 15[c]]</i>	924	1,137
	<u>144,590</u>	<u>137,161</u>
Excess of revenue over expenses for the year	<u>186</u>	<u>4,317</u>

See accompanying notes

Baycrest Centre for Geriatric Care

COMBINED STATEMENT OF CHANGES IN DEFICIT

[in thousands of dollars]

Year ended March 31

	2011	2010
	\$	\$
Balance, beginning of year	(13,613)	(18,029)
Excess of revenue over expenses for the year	186	4,317
Donated works of art <i>[note 7]</i>	124	99
Balance, end of year	(13,303)	(13,613)

See accompanying notes

Baycrest Centre for Geriatric Care

COMBINED STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	186	4,317
Add (deduct) items not affecting cash		
Amortization of fixed assets	7,280	7,173
Amortization of deferred capital contributions	(4,532)	(4,135)
Share of long-term investment net loss	456	134
Increase in employee future benefits	214	349
Net change in non-cash working capital balances related to operations <i>[note 16]</i>	(12,560)	8,153
Cash provided by (used in) operating activities	(8,956)	15,991
INVESTING ACTIVITIES		
Purchase of fixed assets	(5,904)	(3,131)
Purchase of short-term investments	—	(350)
Purchase of shares in long-term investment	(200)	(400)
Cash used in investing activities	(6,104)	(3,881)
FINANCING ACTIVITIES		
Sale of short-term investments	500	—
Contributions for purchase of fixed assets	1,667	1,159
Repayment of long-term debt	(1,020)	(1,224)
Decrease in residents' trust funds	(60)	(152)
Increase (decrease) in bank indebtedness	3,054	(924)
Cash provided by (used in) financing activities	4,141	(1,141)
Net increase (decrease) in cash during the year	(10,919)	10,969
Cash, beginning of year	10,969	—
Cash, end of year	50	10,969

See accompanying notes

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

1. DESCRIPTION OF ORGANIZATION

Baycrest Centre for Geriatric Care [the "Centre"] is renowned for its care, research and education related to aging. Its continuum of care serves more than 2,500 clients daily and includes supportive residential care, community services, short-term specialized medical care, long-term and complex continuing care. The Centre is a fully affiliated academic health science centre with the University of Toronto.

The combined financial statements comprise those of the Centre, The Jewish Home for the Aged, Baycrest Hospital, Baycrest Day Care Centre, and Baycrest Residential Properties Inc. which are incorporated without share capital under the laws of Ontario; affiliated entities which are unincorporated, including Baycrest Terrace, Joseph E. and Minnie Wagman Centre, Baycrest Home Care Services, Rotman Research Institute, and Kunin-Lunenfeld Applied Research Unit.

The Centre and its affiliated entities included in these combined financial statements are registered charities under the Income Tax Act (Canada) and, accordingly, are exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The combined financial statements of the Centre have been prepared by management in accordance with Canadian generally accepted accounting principles.

The significant accounting policies are as follows:

Short-term investments

The Centre's guaranteed investment certificates are presented at cost, which approximates fair value.

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

Investment

The Centre's investment in a for-profit entity is accounted for by the equity method.

Fixed assets

Fixed assets are recorded at cost. Amortization of fixed assets is calculated using the straight-line method so as to charge operations with the cost of the assets over their estimated useful lives as follows:

Land improvements and parking lot	10 years
Buildings	20 - 40 years
Equipment	3 - 10 years

Donations of works of art are recorded as an asset at fair market value when donated and are recognized directly in net assets. Works of art are not amortized.

Deferred capital contributions

Capital contributions for the purpose of acquiring depreciable fixed assets are deferred and amortized on the same basis, and over the same period, as the related fixed assets.

Revenue recognition

The deferral method of accounting for contributions, which include donations and grants, is followed. Specifically:

- Revenue from operating grants is recognized when it becomes receivable.
- Research grants and other restricted revenue is recognized as related expenditures are incurred.

Charges for services are recognized as revenue when service is provided.

Investment income, which consists of interest from short-term investments, is recorded on the accrual basis as sundry income.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

Employee benefit plans

[a] Multi-employer plan

The multi-employer plan is accounted for as a defined contribution plan, as there is not sufficient information to apply defined benefit plan accounting. Contributions to the multi-employer, defined benefit plan are expensed when due.

[b] Accrued post-retirement benefits

The Centre accrues its obligations for non-pension employee benefits as full-time employees render services. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions.

The excess of the cumulative unamortized balance of net actuarial gains (losses) over 10% of the benefit obligations is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 11 years. Prior service costs [if any] arising from a plan amendment would be amortized over future years of service to full eligibility of active employees. The accrued benefit obligation related to employee future benefits is discounted using the current average market yield on high quality debt instruments with cash flows that match the timing and amount of the expected benefit payments from each plan.

Foreign currency translation

Monetary assets and liabilities which are to be settled in a foreign currency are translated into Canadian dollars at the prevailing year-end rates of exchange. Transactions in foreign currencies are translated into Canadian dollars at the rate of exchange in effect when the transactions occurred. Exchange gains and losses are recorded in the combined statement of operations for the year.

Use of estimates

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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

In particular, the amount of revenue recognized from the Ministry of Health and Long-Term Care [the "Ministry"] and the Toronto Central Local Health Integration Network [the "TC-LHIN"] is a significant estimate. The Centre entered into a Hospital Service Accountability Agreement [the "H-SAA"] with the TC-LHIN for fiscal 2009 and 2010. The H-SAA was extended to March 31, 2011, and has been extended for an additional year to March 31, 2012, under the same terms and conditions.

The H-SAA sets out certain performance standards and obligations that establish acceptable results for the Centre's performance in a number of areas. If the Centre does not meet its performance standards or obligations, the TC-LHIN has the right to adjust funding received by the Centre. The TC-LHIN/Ministry is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the combined financial statements, the amount of funding received during the year from the TC-LHIN/Ministry may be increased or decreased subsequent to year end. The amount of revenue recognized in these combined financial statements represents management's best estimate of amounts that have been earned during the year.

Financial instruments

The Centre has chosen to apply the Canadian Institute of Chartered Accountants ["CICA"] 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*.

Contributed services

Contributed services are not recognized in the combined financial statements.

Future accounting policy changes

Effective for the fiscal year beginning April 1, 2012, the Centre will be required to follow the accounting policies in the Public Sector Accounting ["PSA"] Handbook, and has the option of early adoption.

The Public Sector Accounting Board ["PSAB"] has approved the inclusion of the CICA Handbook – Accounting standards addressing issues unique to not-for-profit organizations into the PSA Handbook as the PS4200 series. The application of PS4200 series by government not-for-profit organizations is optional. The Centre has chosen to apply the PS4200 series, and is currently evaluating the impact of adopting the PSA Handbook standards.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

3. CASH AND BANK INDEBTEDNESS

Cash includes resident funds in trust of \$50 [2010 - \$110]. The funds held in trust are offset by a corresponding liability.

The bank indebtedness as at March 31, 2011 consists of outstanding cheques.

4. MINISTRY OF HEALTH AND LONG-TERM CARE

On June 30, 2010, the Centre terminated an agreement to act as a transfer payment agency providing the Ministry with contract and payment processing services. The funds received and not spent of \$403 [2010 - \$4,434] are shown as cash held on behalf of the Ministry. Included in accounts receivable is nil [2010 - \$137] collectible on the Ministry's behalf. These amounts are offset by amounts due to the Ministry of \$403 [2010 - \$4,571].

5. SHORT-TERM INVESTMENTS

Short-term investments include guaranteed investment certificates totalling \$1,300 [2010 - \$1,800], comprising an individual investment of \$1,300 [2010 - \$550 and \$1,250], interest rate of 1.15% [2010 - 0.4% and 0.5%] and maturity date of May 31, 2011 [2010 - May 26, 2010 and September 7, 2010].

6. INVESTMENT

On January 20, 2010, the Centre and MaRS Discovery District incorporated a taxable, for profit company, Cogniciti Inc. ["Cogniciti"]. Cogniciti, which is owned 80% by the Centre, was established to develop and commercialize products for the assessment, management and rehabilitation of brain functioning.

The investment consists of the following:

	2011	2010
	\$	\$
Opening balance	266	—
Additions	200	400
Share of Cogniciti net loss	(456)	(134)
Ending balance	10	266

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

The Centre recorded its share of Cogniciti's net loss as other operating expenses. The following amounts represent the Centre's 80% share of the assets, liabilities, equity and expenses of Cogniciti as at and for the year ended March 31:

	2011	2010
	\$	\$
Assets	28	328
Liabilities	18	62
Equity	10	266
Expenses	456	134

7. FIXED ASSETS

Fixed assets consist of the following:

	2011		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Land	823	—	823
Land improvements and parking lot	5,460	5,346	114
Buildings	171,807	94,858	76,949
Equipment	76,315	65,094	11,221
Works of art	8,393	—	8,393
	262,798	165,298	97,500

	2010		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Land	823	—	823
Land improvements and parking lot	5,460	5,289	171
Buildings	169,539	90,963	78,576
Equipment	72,662	61,766	10,896
Works of art	8,269	—	8,269
	256,753	158,018	98,735

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

Included in equipment are capital leases with a cost of \$8,726 [2010 - \$8,684] and accumulated amortization of \$5,764 [2010 - \$5,041].

8. CREDIT FACILITY

The Centre has entered into a new \$25,000 credit agreement. Under this new credit agreement, the following facilities are available:

- [a] Revolving demand credit facility of \$10,000, which can be comprised of Canadian prime based loans, overdrafts or Canadian bankers' acceptances.

Canadian prime loans and overdrafts bear interest at the bank's prime minus 0.5% per annum. The effective interest rate at March 31, 2011 was 2.5%. Canadian bankers' acceptances bear interest at an acceptance fee of 0.90% per annum.

The revolving demand facility is collateralized by a general security agreement on the assets of the Centre. As at March 31, 2011, the balance is nil.

- [b] Revolving term facility of \$15,000, which can be comprised of Canadian prime based loans or Canadian bankers' acceptances. The available amount of this facility will reduce to \$10,000 on July 31, 2012 and to \$5,000 on July 31, 2013. Borrowings under this facility shall be reduced and repaid in full on July 31, 2014.

Canadian prime loans and overdrafts bear interest at the bank's prime plus 1.0% per annum. The effective interest rate at March 31, 2011 was 4.0%. Canadian bankers' acceptances bear interest at an acceptance fee of 2.60% per annum.

The revolving term facility is collateralized by a general security agreement on the assets of the Centre. As at March 31, 2011, the balance is nil.

The Centre has entered into an unconditional term loan commitment with the Baycrest Centre Foundation [the "Foundation"], to receive a loan from the Foundation at prime for the full amount of the revolving term facility, if necessary. This commitment is collateralized through a security interest over the assets of the Centre.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

9. LONG-TERM DEBT

Long-term debt consists of the following:

	2011 \$	2010 \$
Mortgage payable, bearing interest at 8% per annum, due February 1, 2027, collateralized by the Baycrest Terrace and the Joseph E. and Minnie Wagman Centre buildings	3,708	3,797
Mortgage payable, bearing interest at 6.04% per annum, due January 1, 2020, collateralized by the Apotex Centre building	6,990	7,116
Capital leases, maturing from October 2011 to June 2014, bearing interest at rates ranging from 3.91% to 10.05%, collateralized by equipment <i>[note 7]</i>	1,531	2,400
	<u>12,229</u>	<u>13,313</u>
Less current portion, included in accounts payable and accrued liabilities	1,063	1,144
	<u>11,166</u>	<u>12,169</u>

During the year, interest paid on long-term debt was \$721 [2010 - \$737].

Principal repayments on the long-term debt are as follows:

	\$
2012	1,063
2013	998
2014	294
2015	315
2016	339
Thereafter	9,220
	<u>12,229</u>

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

10. DEFERRED CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of fixed assets. The amortization of deferred capital contributions is recorded as revenue in the combined statement of operations.

	2011	2010
	\$	\$
Deferred capital contributions		
Balance, beginning of year	67,677	70,653
Additions [note 15[b]]	1,667	1,159
	<u>69,344</u>	<u>71,812</u>
Amortization recognized as revenue	(4,532)	(4,135)
Balance, end of year	<u>64,812</u>	<u>67,677</u>

Deferred program contributions represent unspent funds received for research and other purposes.

	2011	2010
	\$	\$
Deferred program contributions		
Balance, beginning of year	6,475	6,929
Amounts received [note 15[b]]	7,893	8,571
Amounts recognized as revenue	(8,180)	(9,025)
Balance, end of year	<u>6,188</u>	<u>6,475</u>

11. EMPLOYEE BENEFIT PLANS

[a] Multi-employer plan

Certain employees of the Centre as at March 9, 1998 and all employees joining the Centre since that date are eligible to be members of the Hospitals of Ontario Pension Plan [the "Plan"], which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan. The Plan is accounted for as a defined contribution plan. The Centre's contributions to the Plan during the year amounted to \$6,224 [2010 - \$5,784] and are included in salaries and employee benefits expense in the combined statement of operations. The most recent actuarial valuation for financial reporting purposes completed by the Plan as of December 31, 2010 disclosed an asset value of \$35,073,000 with accrued liabilities of \$34,897,000 resulting in a surplus of \$176,000.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

[b] Retirement benefits

The Centre also provides retirement allowances for former employees. These obligations are not funded but the estimated liability of \$1,915 [2010 - \$1,991] has been fully accrued.

[c] Accrued post-retirement benefits

The Centre's non-pension post-retirement benefit plans comprise medical, dental and life insurance coverage for certain groups of full-time employees who have retired from the Centre and are between the ages of 55 and 65. Spouses of eligible retirees are covered by the plans. The measurement date used to determine the accrued benefit obligation is March 31. The most recent actuarial valuation of the non-pension post-retirement benefit plans was March 31, 2010.

Information for the Centre's non-pension post-retirement benefit plans, and reconciliation to the accrued benefit liability, is as follows:

	2011	2010
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	5,291	4,935
Current service cost	255	325
Interest cost	386	341
Benefits paid	(414)	(363)
Actuarial loss	488	313
Balance, end of year	6,006	5,551
Unamortized net actuarial loss	(425)	(260)
Accrued benefit liability	5,581	5,291

The expense for the year related to these plans is \$703 [2010 - \$719] and employer contributions for these plans were \$414 [2010 - \$363].

The discount rate adopted in measuring the Centre's accrued benefit obligation was 5.00% [2010 - 5.75%] and expense was 5.75% [2010 - 5.50%] for the non-pension post-retirement benefit plans.

Dental cost increases are assumed to be 4.0% per annum. Hospital and extended healthcare costs are assumed to be 9.0% by fiscal 2012 and to decrease by 0.5% per annum to an ultimate rate of 5%.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

12. CAPITAL MANAGEMENT

In managing capital, the Centre focuses on liquid resources available for operations. The Centre's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. In addition, the Centre is required to achieve certain performance measures related to working capital set out in the H-SAA. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2011, the Centre has met its objective of having sufficient liquid resources to meet its current obligations and the performance measures related to working capital set out in the H-SAA.

13. CONTINGENCIES

- [a] The Centre is subject to various claims and potential claims related to operations. Where the potential liability is likely and able to be estimated, management has recorded its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.
- [b] A group of healthcare institutions, including the Centre, are members of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they were members. As at March 31, 2011 no assessments have been received.

14. COMMITMENT

On March 1, 2011, Baycrest signed a contract valued at \$15,440 with respect to certain facility improvements. The improvements are scheduled to be completed by March 2013. Periodic progress payments will be made based upon certification of work completed.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

15. RELATED PARTY TRANSACTIONS

- [a] The Foundation is a separate corporation and its accounts are not included in these combined financial statements. The Foundation, which operates as a public foundation, is responsible for all fundraising activities of the Centre and grants funds to the Centre and other charitable organizations as approved by the Board of Directors of the Foundation. The Centre has the ability to elect the majority of the Foundation's directors.
- [b] The summarized financial statements of the Foundation as at and for the year ended March 31 are as follows:

	2011 \$	2010 \$
Total assets	131,851	124,889
Total liabilities	(3,278)	(2,427)
	128,573	122,462
Endowment funds	85,907	78,550
Restricted funds	42,666	39,912
General funds	—	4,000
	128,573	122,462
	2011 \$	2010 \$
Total revenue [including additions to endowments of \$9,374; 2010 - \$14,288]	31,277	36,802
Total expenses	(8,334)	(6,585)
Excess of revenue over expenses before grants	22,943	30,217
Grants to the Centre, included in operations	(14,807)	(14,614)
Capital grants to the Centre, included in deferred capital and deferred program contributions [note 10]	(1,710)	(974)
Grant to third party	(315)	—
Excess of revenue over expenses for the year	6,111	14,629

- [c] Advances from the Foundation are due on demand and bear interest at the prime rate of interest, which resulted in interest expense of \$98 [2010 - \$187].

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

[d] The Centre provides the Foundation with office space, furniture and equipment at no cost. Salaries, benefits, including pension contributions for the Hospitals of Ontario Pension Plan, and certain other expenses are paid by the Centre and are reimbursed by the Foundation.

16. ADDITIONAL CASH FLOW INFORMATION

The net change in non-cash working capital balances related to operations is as follows:

	2011	2010
	\$	\$
Cash held on behalf of Ministry of Health and Long-Term Care	4,031	17,669
Accounts receivable	(1,936)	1,450
Inventories, deposits and prepaid expenses	(233)	220
Accounts payable and accrued liabilities	(236)	1,654
Due to Ministry of Health and Long-Term Care	(4,168)	(17,816)
Due to The Baycrest Centre Foundation	(9,731)	5,430
Deferred program contributions	(287)	(454)
	<u>(12,560)</u>	<u>8,153</u>

Supplemental cash flow information

	2011	2010
	\$	\$
Additions to fixed assets through capital leases	17	101
Interest paid	924	1,137

17. FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments approximate the amounts for which instruments could be exchanged in a transaction between knowledgeable and willing parties based on public market information. Management believes the carrying values of the financial instruments in these combined financial statements approximate their fair values unless otherwise noted. Any changes in fair value are accounted for in the combined statement of operations.

The Centre is subject to interest rate price risk with respect to its credit facility and long-term debt.

Baycrest Centre for Geriatric Care

NOTES TO COMBINED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

18. COMPARATIVE COMBINED FINANCIAL STATEMENTS

The comparative combined financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 combined financial statements.

