

**Bethany Nursing Home of Camrose, Alberta
Operating as
The Bethany Group**

**Consolidated Financial Statements
For the Year Ended March 31, 2016**

The Bethany Group
March 31, 2016

Contents

Auditors' Report	1.
Consolidated Financial Statements	
Consolidated Statement of Financial Position	2.
Consolidated Statement of Changes in Net Assets	3.
Consolidated Statement of Operations	4.
Consolidated Statement of Cash Flows	5.
Notes to the Consolidated Financial Statements	6.
Statements of Operations by Program	7.

Independent auditor's report

Grant Thornton LLP
Suite 201, 4870 - 51 Street
Camrose, AB
T4V 1S1
T +1 780 672 9217
F +1 780 672 9216
www.GrantThornton.ca

To the Governing Board of Bethany Nursing Home of Camrose, Alberta:

We have audited the accompanying consolidated financial statements of Bethany Nursing Home of Camrose, Alberta, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, 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 consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Bethany Nursing Home of Camrose, Alberta as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The Statements of Operations by Program on pages 7(a) to 7(c) are presented for purposes of additional information and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion, in the audit of the consolidated financial statements taken as a whole.

Grant Thornton LLP

Chartered Accountants

Camrose, Canada
September 22, 2016

The Bethany Group
Consolidated Statement of Financial Position
as at March 31, 2016

Assets

	<u>2016</u>	<u>2015</u>
Current		
Cash and cash equivalents	\$ 4,820,759	\$ 5,117,296
Short-term investments (note 4)	699,649	2,200,050
Accounts receivable (note 3)	2,151,852	1,141,814
Inventory	55,454	51,296
Prepays	<u>197,602</u>	<u>241,805</u>
	7,925,316	8,752,261
Long-term investments, at fair value (note 4)	5,881,135	5,094,295
Tangible capital assets (note 5)	<u>59,409,371</u>	<u>57,794,060</u>
	<u>\$ 73,215,822</u>	<u>\$ 71,640,616</u>

Liabilities

Current		
Accounts payable and accruals (note 7)	7,417,588	6,542,969
Unearned income and deposits	1,231,401	1,241,723
Deferred contributions (note 8)	712,186	868,207
Mortgage payable - current portion (note 10)	<u>422,087</u>	<u>319,100</u>
	9,783,262	8,971,999
Life Lease funds (note 11)	<u>24,504,465</u>	<u>23,504,540</u>
	34,287,727	32,476,539
Deferred contributions related to tangible capital assets (note 9)	21,571,318	20,135,501
Mortgage payable (note 10)	<u>13,725,681</u>	<u>14,147,768</u>
	<u>69,584,726</u>	<u>66,759,808</u>

Net Assets

Unrestricted net assets	3,501,255	3,757,018
Net assets internally restricted (note 12)	944,021	1,426,638
Net assets invested in tangible capital assets	(814,180)	(312,848)
Net assets restricted for endowment (note 13)	<u>-</u>	<u>10,000</u>
	<u>3,631,096</u>	<u>4,880,808</u>
	<u>\$ 73,215,822</u>	<u>\$ 71,640,616</u>

The Bethany Group
Statement of Changes in Net Assets
For the Year Ended March 31, 2016

	2016					2015
	Unrestricted Net Assets	Internally Restricted Net Assets	Net Assets Invested In Tangible Capital Assets	Net Assets Restricted for Endowment	Total	Total
Beginning balance	\$ 3,757,018	\$ 1,426,638	\$ (312,848)	\$ 10,000	\$ 4,880,808	\$ 5,084,178
Excess (deficiency) of revenue over expenses	(1,249,712)	-	-	-	(1,249,712)	(203,370)
Transfer from internally restricted net assets	482,617	(482,617)	-	-	-	-
Transfer from externally restricted net assets	10,000	-	-	(10,000)	-	-
Purchase of tangible capital assets	(3,767,017)	-	3,767,017	-	-	-
Amortization of tangible capital assets	2,151,706	-	(2,151,706)	-	-	-
Deferred contributions received related to tangible capital assets	2,017,502	-	(2,017,502)	-	-	-
Amortization of deferred capital contributions	(581,684)	-	581,684	-	-	-
Proceeds from debt related to tangible capital assets	0	-	0	-	-	-
Repayment of debt related to tangible capital assets	(319,100)	-	319,100	-	-	-
Life Lease funds retained	999,925	-	(999,925)	-	-	-
Ending balance	<u>\$ 3,501,255</u>	<u>\$ 944,021</u>	<u>\$ (814,180)</u>	<u>\$ 0</u>	<u>\$ 3,631,096</u>	<u>\$ 4,880,808</u>

The Bethany Group
Consolidated Statement of Operations
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Funding - resident care	\$ 26,751,088	\$ 26,412,207
Resident and other client fees	12,183,777	11,697,951
Recoveries, rebates and other services	3,129,913	3,193,580
Special project funding	363,450	375,336
Sundry	<u>25,496</u>	<u>67,732</u>
	<u>42,453,724</u>	<u>41,746,806</u>
Expenses		
Salaries and benefits	32,930,833	32,240,568
Materials and services	8,139,694	7,939,878
Interest on long-term debt	560,943	504,155
Amortization of equipment	<u>534,633</u>	<u>532,951</u>
	<u>42,166,103</u>	<u>41,217,552</u>
Excess of revenue over expenses before other items	287,621	529,254
Donations	206,536	25,786
Donation to Bethany Foundation (note 17)	(681,063)	-
Investment income (note 4)	(27,618)	203,698
Corporate income tax (TBG Properties)	201	-
Amortization of deferred capital contributions	581,684	524,715
Amortization of buildings	<u>(1,617,073)</u>	<u>(1,486,823)</u>
Deficiency of revenue over expenses	\$ <u>(1,249,712)</u>	\$ <u>(203,370)</u>

The Bethany Group
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Cash provided (used) by operating activities:		
Deficiency of revenue over expenses	\$ (1,249,712)	\$ (203,370)
Items not involving cash:		
Amortization of tangible capital assets	2,151,706	2,019,775
Life Lease funds retained	(77,217)	(147,059)
Loss (gain) on disposal of investments		(21,265)
Unrealized loss on fair value of investments	216,614	35,192
Gain on disposal of property and equipment	-	(41,000)
Amortization of deferred capital contributions	(581,684)	(524,715)
Amortization of bond discounts	<u>1,198</u>	<u>6,954</u>
	460,905	1,124,512
Changes in operating net assets:		
Accounts receivable	(1,010,038)	581,932
Inventory	(4,158)	(14,961)
Prepays	44,203	(189,400)
Accounts payable and accruals	874,619	18,462
Unearned income and deposits	(10,322)	(95,763)
Deferred contributions	<u>(156,021)</u>	<u>32,404</u>
	<u>199,188</u>	<u>1,457,186</u>
Cash provided (used) by financing activities:		
Capital contributions received	2,017,501	1,781,367
Callable debt and mortgage repayment	(319,100)	(305,829)
Proceeds from mortgages	-	3,710,000
Life Lease funds received	2,510,000	5,563,000
Life Lease funds refunded	<u>(1,432,858)</u>	<u>(1,431,601)</u>
	<u>2,775,543</u>	<u>9,316,937</u>
Cash provided (used) by investing activities:		
Purchase of investments	(1,704,251)	(3,328,606)
Proceeds on disposal of investments	2,200,000	3,075,000
Proceeds on disposal of tangible capital assets	-	41,000
Purchase of tangible capital assets	<u>(3,767,017)</u>	<u>(4,905,646)</u>
	<u>(3,271,268)</u>	<u>(5,118,252)</u>
Increase (decrease) in cash during the year	(296,537)	5,655,871
Cash - beginning of year	<u>5,117,296</u>	<u>(538,575)</u>
Cash - end of year	<u>\$ 4,820,759</u>	<u>\$ 5,117,296</u>
Cash comprised of:		
Cash and bank accounts	<u>\$ 4,820,759</u>	<u>\$ 5,117,296</u>
	<u>\$ 4,820,759</u>	<u>\$ 5,117,296</u>

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

1. Nature of operations

Bethany Nursing Home of Camrose, Alberta, operating under the name "The Bethany Group", is a not-for-profit organization incorporated by an Act of the Alberta Legislature and is a registered charity under the Income Tax Act. From its base in Camrose and through facilities in numerous communities, the Organization provides services to seniors and low income residents of central Alberta. The Organization provides a range of health, housing and community services in fulfilling its mission to enhance the quality of life of the people it serves.

2. Summary of significant accounting policies

a) Basis of presentation

The Organization has prepared these consolidated financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO). The consolidated financial statements include the accounts of all the divisions of the Organization, except those divisions operated under the Alberta Housing Act as management body and a Foundation.

b) Consolidation

The Organization accounts for its subsidiaries using the consolidation method. These consolidated financial statements include the accounts of its wholly-owned subsidiary, TBG Properties Inc. All significant intercompany balances and transactions have been eliminated.

c) Measurement uncertainty

The preparation of these consolidated financial statements requires the Organization 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 statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include allowance for doubtful accounts, inventory obsolescence, estimated useful lives of tangible capital assets, and current portion of mortgage payable. Actual results could differ from these estimates.

d) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of tangible capital assets that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related acquired capital assets. Restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

Net investment income that is not externally restricted is recognized in the statement of operations as it is earned. Net investment income that is externally restricted is deferred and added to the amounts held for endowment. Other externally restricted net investment income is recognized in the statement of operations, in deferred contributions, or in net assets, depending on the nature of restrictions imposed.

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

2. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

Cash and cash equivalents consist of cash in chartered bank and Alberta Treasury Branch accounts and petty cash at The Bethany Group sites. Funds are maintained to cover resident damage deposits and endowments. See note 13 regarding Endowments.

f) Contributed materials and services

Contributed materials and services are recognized at their fair value in the consolidated financial statements when the amount can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased. Volunteers contribute hours to assist the Organization in carrying out its service delivery activities; because of the difficulty of determining their fair value, these contributed services are not recognized in the consolidated financial statements.

g) Inventory

Inventory of pharmaceutical drugs and educational materials are valued at the lower of cost and current replacement cost with cost determined on a weighted-average basis. Cost includes original purchase price and any costs incurred in bringing inventory to its present location and condition.

h) Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution; when fair value cannot be reasonably determined, the tangible capital asset is recorded at a nominal value. Tangible capital assets are amortized on a "straight-line" basis over their estimated useful lives as follows:

Buildings	2-1/2%
Land Improvements	10%
Equipment	5% to 20%

Buildings under construction are not amortized until construction is complete and the asset is in use.

When a tangible capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

2. Summary of significant accounting policies (continued)

i) Financial instruments

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost, including any impairment in the case of financial assets, except for investments quoted in an active market which are measured at fair value. The Organization has also irrevocably elected to measure its investments in bonds at fair value. All changes in fair value of the Organization's investments are recorded in the consolidated statement of operations. The Organization uses the straightline method over the term of the related financial instrument to amortize any premiums, discounts, transaction costs, and financing fees to the consolidated statement of operations.

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

3. Accounts receivable

	<u>2016</u>	<u>2015</u>
Resident fees	\$ 79,997	\$ 113,698
Goods and services tax refundable	80,678	69,981
Due from related parties (note 14)	284,774	214,535
Special project funding and miscellaneous	<u>1,706,403</u>	<u>743,600</u>
	<u>\$ 2,151,852</u>	<u>\$ 1,141,814</u>

4. Investments, at fair value

	<u>2016</u>	<u>2015</u>
Fixed income securities:		
Short term investments		
Term to maturity less than 1 year		
- Yields of 1.50% to 2.40% (2015- 1.90% to 3.70%)		
maturing June 2016 (2015-June 2015 to March 2016)	\$ 699,649	\$ 2,200,050

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

4. Investments, at fair value (continued)

Long term investments	<u>2016</u>	<u>2015</u>
Term to maturity between 1 to 4 years		
- Yields of 1.90% to 4.37% (2015 - 2.10% to 4.37%), maturing June 2017 to December 2020 (2015 - June 2015 to December 2020)	2,874,077	3,177,219
Equities quoted in an active market:		
Preferred shares	641,730	318,500
Mutual funds	2,365,328	1,598,576
Total long term investments	<u>5,881,135</u>	<u>5,094,295</u>
	<u>\$ 6,580,784</u>	<u>\$ 7,294,345</u>

Investment income earned is reported as follows:

Interest income	\$ 146,796	\$ 183,474
Dividend income	42,200	34,151
Gain on disposal of investments	-	21,265
Decrease in fair value of investments	<u>(216,614)</u>	<u>(35,192)</u>
Total investment income recognized as revenue	<u>\$ (27,618)</u>	<u>\$ 203,698</u>

Investment income earned on net assets is as follows:

Income earned on unrestricted net assets	\$ (129,233)	\$ 41,496
Income earned on restricted net assets	115,077	181,988
Less: income deferred due to restrictions	<u>(13,462)</u>	<u>(19,786)</u>
Total investment income recognized as revenue	<u>\$ (27,618)</u>	<u>\$ 203,698</u>

5. Tangible capital assets

	<u>2016</u>			<u>2015</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2,273,583	\$ -	\$ 2,273,583	\$ 2,273,583
Land improvements	378,939	239,859	139,080	187,268
Buildings	66,901,761	11,829,677	55,072,084	48,244,780
Buildings under construction	-	-	-	5,103,453
Equipment	<u>5,536,062</u>	<u>3,611,438</u>	<u>1,924,624</u>	<u>1,984,976</u>
	<u>\$ 75,090,345</u>	<u>\$ 15,680,974</u>	<u>\$ 59,409,371</u>	<u>\$ 57,794,060</u>

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

6. Bank indebtedness

The Organization maintains a line of credit, which bears interest at the bank's prime lending rate plus 0.5%. The collateral security lodged by the Organization to support the line of credit is a general security agreement covering the Organization's land and investment portfolio. There was no debt from the operating line of credit at March 31, 2016.

7. Accounts payable and accruals

	<u>2016</u>	<u>2015</u>
Accounts payable - operating	\$ 2,346,402	\$ 2,083,040
capital	-	892,375
Amounts due to related parties (note 14)	1,016,427	-
Accrued salaries, employee future benefits	3,770,292	3,278,770
Accrued interest	47,670	52,169
Other accrued liabilities	<u>236,797</u>	<u>236,615</u>
	<u>\$ 7,417,588</u>	<u>\$ 6,542,969</u>

Included in accounts payable and accruals are source deduction remittances to CRA of \$756,933 (2015 - \$732,107).

8. Deferred contributions

Deferred contributions represent unspent resources externally restricted for operating expenses that relate to subsequent periods. Changes in the deferred contributions balance are as follows:

	<u>2016</u>	<u>2015</u>
Deferred balance, beginning of year	\$ 868,207	\$ 835,803
Add: contributions received and interest earned	22,548	32,757
Less: recognized as revenue	<u>(178,569)</u>	<u>(353)</u>
Deferred balance, end of year	<u>\$ 712,186</u>	<u>\$ 868,207</u>

Deferred contributions are comprised of donations which have been allocated as follows:

Building fund	\$ 590,451	\$ 684,054
Other special-purpose funds	<u>121,735</u>	<u>184,153</u>
	<u>\$ 712,186</u>	<u>\$ 868,207</u>

Donations to the building fund are utilized for new construction or enhancements to facilities owned by The Bethany Group.

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

9. Deferred contributions related to tangible capital assets

Deferred contributions related to tangible capital assets represent restricted contributions with which some of the capital assets were purchased. The changes in the deferred contributions balance are as follows:

	<u>2016</u>	<u>2015</u>
Deferred balance, beginning of year	\$ 20,135,501	\$ 18,878,849
Add: contributions received	2,017,502	1,781,367
Less: recognized as revenue	<u>(581,685)</u>	<u>(524,715)</u>
Deferred balance, end of year	<u>\$ 21,571,318</u>	<u>\$ 20,135,501</u>

Deferred contributions are comprised of the following amounts:

Government grants	\$ 20,666,815	\$ 19,197,690
Contributions from other sources	<u>904,503</u>	<u>937,811</u>
	<u>\$ 21,571,318</u>	<u>\$ 20,135,501</u>

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

10. Mortgage payable	<u>2016</u>	<u>2015</u>
RBC mortgage payable , bearing interest at 3.824%, repayable in monthly blended instalments of \$24,677, due July 2017. (Deer Meadows)	\$ 2,724,332	\$ 2,913,198
RBC mortgage payable, bearing interest at 4.59%, repayable in monthly blended instalments of \$7,515, due July 2032. (Jamieson Manor)	1,382,982	1,409,617
RBC mortgage payable, bearing interest at 5.08%, repayable in monthly blended instalments of \$35,390, due October 2033. (Bashaw Meadows)	6,330,454	6,434,053
First Calgary Financial Credit Union mortgage payable, bearing interest at 3.98%, interest only repayable for two years; effective May 2016 repayable in monthly blended instalments of \$20,214, due October 2021. (Wetaskiwin Meadows)	<u>3,710,000</u>	<u>3,710,000</u>
	14,147,768	14,466,868
Less: current portion	<u>422,087</u>	<u>319,100</u>
	<u>\$ 13,725,681</u>	<u>\$ 14,147,768</u>

The collateral security lodged by the Organization to support the mortgages is a first mortgage on the properties (carrying value of \$30,642,344), general assignment of rents and revenues from the properties, and first security agreement on personal property.

Principal payments are estimated as:

2017	\$ 422,087
2018	448,435
2019	467,641
2020	487,682
2021	508,596
Thereafter	<u>11,813,327</u>
	<u>\$ 14,147,768</u>

The Bethany Group
Notes to the Consolidated Financial Statements
For the Ended March 31, 2016

11. Life lease funds

Funds are received from individuals upon occupancy of the Life Lease residential units. The nature of the Hillside and Lakeside programs is such that 5% of the entry fee is initially recognized as revenue; a further 1% is recognized each year the residential unit is occupied until the 5th year. The remaining entry fee is refundable within 90 days following the date that an occupant vacates the property. The nature of the Brookside program is such that 100% of the amounts are refundable within 90 days following the date that an occupant vacates the property. These Life Lease funds are non interest bearing. The refundable portion of the Life Lease funds are as follows:

	<u>2016</u>	<u>2015</u>
Lakeside Village	\$ 2,939,051	\$ 2,810,014
Hillside Village	6,576,927	6,057,801
Brookside	<u>14,988,487</u>	<u>14,636,725</u>
	<u>\$ 24,504,465</u>	<u>\$ 23,504,540</u>

It is the nature of the Life Lease arrangements that funds being refunded are replaced by funds received from new residents on a continuing basis. These fees therefore do not have a current portion. The Hillside Village Life Lease funds are secured by registered mortgages on the land and building (carrying value of \$1,856,998). The Brookside Life Lease funds are secured by registered mortgages on the land and building (carrying value of \$15,946,774).

12. Net assets internally restricted

Internally restricted funds are not available for unrestricted purposes without the approval of the Governing Board. Net assets have been internally restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Equipment and Facilities Reserve, to be used for equipment acquisition and major facility maintenance and improvements.	\$ 892,430	\$ 892,430
The Bethany Group "Endowment" Fund, the principal portion of which is restricted and invested in order that earnings may be available to finance projects that would not be possible without special funding.		
- principal	-	416,916
- interest	-	77,078
Resident Life Enhancement Funds	<u>51,591</u>	<u>40,214</u>
	<u>\$ 944,021</u>	<u>\$ 1,426,638</u>

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

13. Net assets restricted for endowment	<u>2016</u>	<u>2015</u>
Ralph Thompson Memorial Scholarship Fund, the income from which is to be used for educational purposes	\$ <u>-</u>	\$ <u>10,000</u>

The fund was liquidated and transferred to The Bethany Group (Camrose) Foundation during the year having surpassed the time limit for external restriction.

14. Related party transactions

Bethany Nursing Home of Camrose, Alberta manages the operations of one lodge on behalf of the Camrose and Area Lodge Authority, two lodges on behalf of the Wetaskiwin and Area Lodge Authority, one lodge on behalf of Flagstaff Regional Housing Group, two lodges and two affordable housing projects on behalf of Lacombe Foundation, one lodge and 6 subsidized housing projects on behalf of Parkland Foundation, 309 community housing units of the Red Deer Housing Authority, and 58 subsidized housing projects and a rent supplement program on behalf of the Province of Alberta, Alberta Seniors. Bethany Nursing Home of Camrose, Alberta, in its capacity as management body, has no economic interest in any of these related entities. Bethany Nursing Home of Camrose, Alberta pays the expenses for the lodges and housing projects and is reimbursed monthly.

The amounts due from (to) the Camrose and Area Lodge Authority, Wetaskiwin and Area Lodge Authority, Flagstaff Regional Housing Group, Lacombe Foundation, Parkland Foundation, Red Deer Housing Authority, Rimoka Housing Foundation and Alberta Seniors Housing Division are included in accounts receivable and accounts payable. As at March 31, 2016 these amounts receivable (payable) were as follows:

	<u>2016</u>	<u>2015</u>
Camrose and Area Lodge Authority	\$ (72,286)	\$ 77,539
Wetaskiwin and Area Lodge Authority	(139,300)	36,808
Flagstaff Regional Housing Group	(293,274)	83,024
Rimoka Housing Foundation	-	52,816
Lacombe Foundation	(142,968)	29,052
Red Deer Housing Authority	69,239	189
Parkland Foundation	47,111	-
Provincial Housing Management Body Operations	<u>(200,176)</u>	<u>(64,893)</u>
	<u>\$ (731,654)</u>	<u>\$ 214,535</u>

The Bethany Group
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2016

14. Related party transactions (continued)

Bethany Nursing Home of Camrose, Alberta, also receives a mutually agreed fee for shared administrative services, maintenance, education services and workplace health and safety services from the Camrose and Area Lodge Authority, Wetaskiwin and Area Lodge Authority, Flagstaff Regional Housing Group, Lacombe Foundation, Rimoka Housing Foundation, Parkland Foundation, Red Deer Housing Authority and Provincial Housing Management Body operations. For the year ended March 31, 2016, the amount received from these related entities totaled:

	<u>2016</u>		<u>2015</u>
Camrose and Area Lodge Authority	\$ 284,465	\$	367,640
Wetaskiwin and Area Lodge Authority	224,192		202,465
Flagstaff Regional Housing Group	94,780		92,798
Lacombe Foundation	183,569		100,164
Rimoka Housing Foundation	78,524		104,300
Red Deer Housing Authority	237,353		245,500
Parkland Foundation	141,525		14,000
TBG Properties	55,583		-
Provincial Housing Management Body Operations	<u>909,186</u>		<u>1,106,589</u>
	<u>\$ 2,209,177</u>		<u>\$ 2,233,456</u>

These transactions were in the normal course of operations and were recorded at the exchange amount, which is the amount agreed upon by the parties.

15. Local Authorities Pension Plan

Employees of Bethany Nursing Home of Camrose, Alberta participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The plan is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

Bethany Nursing Home of Camrose, Alberta is required to make current service contributions to the Plan of 11.39% of employees' pensionable earnings up to Canada Pension Plan Yearly Maximum Pensionable Earnings, and 15.84% on pensionable earnings above this amount. Contributions to the Local Authorities Pension Plan in the reporting period by Bethany Nursing Home of Camrose, Alberta totalled \$2,667,330 (2015 - \$2,628,022). At December 31, 2015, the Plan disclosed an actuarial deficit of \$923 million.

16. Financial instruments

The Organization maintains a risk management framework to monitor, evaluate, and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include credit, liquidity, and market risk; market risk arises from changes in interest rates and other price risks.

The Bethany Group
Notes to the Consolidated Financial Statements
For the Ended March 31, 2016

16. Financial instruments (continued)*Credit risk*

The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its receivables. The Organization does not obtain collateral or other security to support the receivables subject to credit risk, and does not anticipate significant loss for non-performance beyond that already provided for as an allowance for doubtful accounts.

Market risk

The Organization's financial instruments expose it to market risk, in particular interest rate risk and other price risk, resulting from its operations.

The long term investments bear interest at a fixed rate and the Organization is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Organization is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in fair value of these instruments. There has been no significant change in risk from the prior year.

The Organization's mortgage payable consists of loans that are subject to fluctuations in interest rates. For each 1% change in the rate of interest on financial instruments subject to floating rates, the change in annual interest expense is \$141,359. The Organization does not use derivative financial instruments to alter the effects of this risk.

Liquidity risk

Liquidity risk is the risk the Organization may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The Organization's exposure to liquidity risk is dependent on the receipt of funds from a variety of sources, whether in the form of revenue or advances. There has been no significant change in risk from the prior year.

17. Foundation

The Bethany Group (Camrose) Foundation was incorporated on February 17, 2011 under the Alberta Societies Act. The majority of the Directors of the Foundation are also members of the Governing Board of Bethany Nursing Home of Camrose, Alberta and as such, control the Foundation. The Foundation is a registered Charity under the Income Tax Act. The financial transactions of the Foundation are not consolidated in these financial statements.

The financial summary of the Foundation as at March 31 for the current and prior year is as follows:

	<u>2016</u>	<u>2015</u>
Assets	\$ 925,200	\$ 22,515
Liabilities	-	-
Net Assets	<u>\$ 925,200</u>	<u>\$ 22,515</u>
Revenue	\$ 902,685	\$ 7,700
Expenses	-	-
Net Surplus	<u>\$ 902,685</u>	<u>\$ 7,700</u>

During the year, Bethany Nursing Home of Camrose, Alberta donated \$681,063 to The Bethany Group (Camrose) Foundation from deferred contributions and net assets held in reserve.

The Bethany Group
Notes to the Consolidated Financial Statements
For the Ended March 31, 2016

18. Comparative Figures

Certain of the prior year comparative amounts on the Statement of Operations, Statement of Cash Flows and Statement of Operations by Program have been reclassified to conform with the current year's presentation. The reclassification results in no change to the consolidated deficiency of revenue over expenses as previously reported.

The Bethany Group
Statement of Operations - Health Services
(Continuing Care, Designated Supportive Living, Rosehaven Provincial Program)
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Resident care services	\$ 25,485,853	\$ 25,496,260
Resident fees	8,229,356	8,017,768
Recoveries	522,749	661,887
Other grants	294,421	282,298
Sundry	<u>2,508</u>	<u>119</u>
	<u>34,534,887</u>	<u>34,458,332</u>
Expenses		
Wages and benefits		
Resident care	21,201,180	21,336,294
Food services	1,270,123	1,227,090
Housekeeping	1,140,642	1,150,659
Maintenance	1,903,605	1,881,362
Outreach education	165,345	134,380
Administration	<u>365,213</u>	<u>577,223</u>
	<u>26,046,108</u>	<u>26,307,008</u>
Materials and supplies		
Resident care	1,340,424	1,400,485
Food services	1,483,424	1,526,959
Housekeeping and laundry	815,657	756,748
Maintenance and repairs	347,825	399,143
Utilities	1,168,211	1,154,441
Outreach education	16,277	22,516
Staff education	267,688	274,650
Administration	<u>2,363,945</u>	<u>2,283,387</u>
	<u>7,803,451</u>	<u>7,818,329</u>
Interest on long term debt	317,222	325,735
Amortization of equipment	<u>215,004</u>	<u>230,280</u>
Total expenses	<u>34,381,785</u>	<u>34,681,352</u>
Excess (deficiency) of revenue over expenses	\$ <u>153,102</u>	\$ <u>(223,020)</u>

The Bethany Group
Statement of Operations - Housing and Community Services
(Life Lease, Deer Meadows, Homecare, Affordable Housing)
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Funding - Homecare services	\$ 1,265,235	\$ 915,948
Resident fees	3,771,197	3,500,140
Sundry	<u>9,499</u>	<u>11,297</u>
	<u>5,045,931</u>	<u>4,427,385</u>
Expenses		
Wages and benefits		
Homecare	885,940	649,239
Food services and housekeeping	520,351	518,844
Maintenance	23,202	-
Administration	<u>170,805</u>	<u>151,990</u>
	<u>1,600,298</u>	<u>1,320,073</u>
Materials and supplies		
Homecare	118,484	96,323
Food services	163,412	179,348
Housekeeping and laundry	102,387	56,717
Maintenance and repairs	730,611	830,553
Utilities	408,744	386,771
Property taxes	492,548	493,545
Administration and education	<u>268,454</u>	<u>266,436</u>
	<u>2,284,640</u>	<u>2,309,693</u>
Interest on long term debt	243,721	178,420
Amortization of equipment	<u>159,281</u>	<u>148,203</u>
Total expenses	<u>4,287,940</u>	<u>3,956,389</u>
Excess of revenue over expenses	<u>\$ 757,991</u>	<u>\$ 470,996</u>

The Bethany Group
Statement of Operations - Ancillary
(Laundry Services, Hairdressing Services)
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Laundry services - contract clients	\$ 521,675	\$ 521,278
Personal laundry and mending	48,526	47,475
Hairdressing services	134,699	132,568
Sundry	<u>673</u>	<u>18,654</u>
	<u>705,573</u>	<u>719,975</u>
Expenses		
Wages and benefits		
Laundry	873,929	795,726
Hairdressing	<u>167,529</u>	<u>146,657</u>
	<u>1,041,458</u>	<u>942,383</u>
Materials and supplies		
Laundry supplies and linens	103,113	91,191
Maintenance and repairs	59,580	62,664
Vehicle expenses - laundry	20,912	24,146
Utilities - laundry	100,581	98,434
Hairdressing supplies	3,160	3,484
Administration	<u>31,731</u>	<u>29,880</u>
	<u>319,077</u>	<u>309,799</u>
Less: recovery of services - internal clients	(547,230)	(543,179)
Amortization of equipment	<u>13,865</u>	<u>19,273</u>
Total expenses	<u>827,170</u>	<u>728,276</u>
Deficiency of revenue over expenses	<u>\$ (121,597)</u>	<u>\$ (8,301)</u>

The Bethany Group
Statement of Operations - Administration Services
(Corporate Administration, Communication, Financial Services, Human Resources and Education,
Chaplaincy)
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Administration and management services-external	\$ 1,502,332	\$ 1,307,177
Project management - external	357,063	371,342
Sundry	<u>11,342</u>	<u>37,661</u>
	<u>1,870,737</u>	<u>1,716,180</u>
Expenses		
Wages and benefits		
Corporate administration and communications	1,276,919	916,072
Financial services	1,089,342	969,279
Human resources and claims management	579,937	638,999
Education and workplace health and safety	331,432	282,265
Information technology and systems support	492,255	515,234
Chaplaincy	<u>267,394</u>	<u>141,756</u>
	<u>4,037,279</u>	<u>3,463,605</u>
Materials and supplies		
General administration supplies and expense	395,418	315,022
Communications	-	4,612
Board expenses	5,831	20,544
Conferences and travel	99,636	65,644
Professional fees	239,418	154,698
Education and workplace health and safety	28,335	29,597
Information technology	124,455	15,625
Chaplaincy	8,297	2,303
Purchases from donated funds	<u>18,092</u>	<u>31,372</u>
	<u>919,482</u>	<u>639,417</u>
Less:		
Recovery - administration services - internal	(2,668,041)	(2,668,806)
Recovery - project management - internal	(62,186)	(124,370)
Amortization of equipment	<u>146,483</u>	<u>135,195</u>
Total expenses	<u>2,373,017</u>	<u>1,445,041</u>
Excess (deficiency) of revenue over expenses	<u>\$ (502,280)</u>	<u>\$ 271,139</u>

The Bethany Group
Statement of Operations - TBG Properties Inc.
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Property management services	\$ 2,167	\$ 13,000
Renovation projects contract revenue	292,956	411,934
Sundry	<u>1,473</u>	<u>-</u>
	<u>296,596</u>	<u>424,934</u>
Expenses		
Wages and benefits	<u>205,689</u>	<u>207,498</u>
Materials and supplies		
General administration supplies and expense	7,204	26,061
Vehicle, tools, supplies	38,555	40,738
Project materials	<u>44,743</u>	<u>132,197</u>
	<u>90,502</u>	<u>198,996</u>
Total expenses	<u>296,191</u>	<u>406,494</u>
Net income	<u>\$ 405</u>	<u>\$ 18,440</u>