

Financial Statements of

**TECHNOLOGY EVALUATION IN
THE ELDERLY NETWORK**

Year ended March 31, 2014

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Financial Statements

Year ended March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of the Technology Evaluation in the Elderly Network

We have audited the accompanying financial statements of the Technology Evaluation in the Elderly Network, which comprise the statement of financial position as at March 31, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 accounting standards for not-for-profit organizations, 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.

Auditors' 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 the 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 our 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, we consider 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Technology Evaluation in the Elderly Network as at March 31, 2014, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2014

Kingston, Canada

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 182,646	\$ 163,094
Short-term investments	20,000	20,075
Due from Queen's University at Kingston	8,936,889	4,236,847
Accounts receivable	86,348	108,309
Prepaid expenses	3,725	5,508
	<u>\$ 9,229,608</u>	<u>\$ 4,533,833</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 72,684	\$ 103,962
Research and interdisciplinary fellowship program payables	66,000	248,093
Deferred revenue	8,919,045	4,056,645
	<u>9,057,729</u>	<u>4,408,700</u>
Net assets:		
Unrestricted	171,879	125,133
Commitments (note 3)		
Economic dependence (note 4)		
	<u>\$ 9,229,608</u>	<u>\$ 4,533,833</u>

See accompanying notes to financial statements.

On behalf of the Board:

Brian William Gray Member

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TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Networks Centre of Excellence grant	\$ 1,749,936	\$ 836,855
Interest income	58,858	10,660
Queen's University at Kingston contributions (note 5(b))	58,700	268,700
Industry grant and contributions	–	55,000
	<u>1,867,494</u>	<u>1,171,215</u>
Expenses:		
Governance and administrative:		
Administrative salaries and benefits	562,365	371,833
Board and committees	27,135	28,183
Consulting services	16,319	13,702
Insurance	10,723	7,709
Audit fees	9,830	8,927
Honorariums	6,250	3,000
Staff travel	5,462	12,260
Computer and printing equipment	4,338	7,446
Administrative office rent	4,126	–
Miscellaneous office	3,548	3,173
Legal fees	2,514	2,000
Human resource advertising	973	2,929
Incorporation costs	177	2,786
Scientific officers	–	92,473
Research programs	652,962	248,093
Interdisciplinary fellowship programs	240,000	–
Networking and partnerships	151,573	219,438
Communications	65,180	22,130
Knowledge translation	57,273	–
	<u>1,820,748</u>	<u>1,046,082</u>
Excess of revenue over expenses	\$ 46,746	\$ 125,133

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Net assets, beginning of year	\$ 125,133	\$ –
Excess of revenue over expenses	46,746	125,133
Net assets, end of year	\$ 171,879	\$ 125,133

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 46,746	\$ 125,133
Change in non-cash operating working capital		
Due from Queen' University at Kingston	(4,700,042)	(4,236,847)
Accounts receivable	21,961	(108,309)
Prepaid expenses	1,783	(5,508)
Accounts payable and accrued liabilities	(31,278)	103,962
Research and Training program payable	(182,093)	248,093
Deferred revenue	4,862,400	4,056,645
	19,477	183,169
Investing activities:		
Decrease (increase) in short-term investments	75	(20,075)
Net increase in cash and cash equivalents	19,552	163,094
Cash and cash equivalents, beginning of year	163,094	-
Cash and cash equivalents, end of year	\$ 182,646	\$ 163,094

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements

Year ended March 31, 2014

1. Nature of operations:

Technology Evaluation in the Elderly Network ("TVN") is a not-for-profit organization incorporated as a corporation on May 24, 2012 without share capital under the Canada Not-For-Profit Corporations Act.

TVN supports multidisciplinary research related to health care tools, technology and interventions for seriously ill elderly patients and their families. Funded in July 2012 as a part of the Networks of Centre of Excellence of Canada ("NCE") program, TVN seeks to mobilize collaborations between researchers, industry and other organizations to produce programs and products that further Canada's economic strength and improve the quality of life for Canadians.

TVN's mission is to improve the care of seriously ill, elderly patients and their families through the development, rigorous evaluation, and ethical implementation of health care technologies including drugs, devices, knowledge products, improvement strategies and tools, ultimately leading to better outcomes for patients and their families, health care professionals and the health care system as a whole. TVN's tagline, "Improving health care choices for an aging population", references the importance of information in enabling elderly patients receiving the right treatment in the right setting at the right time.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

TVN follows the deferral method of accounting for contributions which include government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Externally restricted contributions are recognized in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or when receivable if the amount received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Revenue from industry grants and contributions is recognized when collection of the related receivable is probable, persuasive evidence of an arrangement exists and the amount is fixed or determinable.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(b) Research programs expenses:

Research programs expenses are recorded as expenses when they become payable. Committed research grants that will become payable in the future are summarized and disclosed as commitments in the notes to the financial statements.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(d) Capital assets:

Purchased capital assets in excess of \$5,000 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to TVN's ability to provide services, its carrying amount is written down to its residual value.

(e) 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.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. TVN has not elected to carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, TVN determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount TVN expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the 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. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the reporting period they become known.

3. Commitments:

- (a) At March 31, 2014, TVN is committed to research and interdisciplinary fellowship program grants that are not accrued in TVN's financial statements as they are not yet payable. Current research and interdisciplinary fellowship program grant commitments, by year and in aggregate, of TVN to be funded by NCE contributions are as follows:

2015	\$ 3,560,934
2016	2,086,945
2017	725,416

- (b) On April 1, 2013, TVN entered into an operating lease agreement for the period commencing May 9, 2013 and ending March 31, 2018 with KGH. Under the agreement, KGH will cover 25% of agreed-upon rents and the University will cover 37.5% of agreed-upon rents. TVN is responsible for the remaining minimum annual lease payments of \$6,000 for the first year, increasing by 2% each year, aggregating to \$31,224 over the lease term. The termination clause in this lease allows early termination after the third anniversary of the lease with six months' notice of a termination date.

This expense will require the use of Non-NCE funds as it is not an allowable expense under the NCE funding guidelines.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements (continued)

Year ended March 31, 2014

4. Economic dependence:

TVN currently generates substantially all of its revenue from the NCE grant. The ability of TVN to continue operations is dependent upon this grant agreement remaining in effect.

TVN entered into a funding agreement effective July 18, 2012 with the NCE, for total funding of \$23,888,157 for operations over a period of five years from the date of execution. To date, total funding of \$11,506,635 has been advanced to TVN from NCE.

NCE includes the Canadian Institute of Health Research ("CIHR"), the Natural Sciences and Engineering Research Council ("NSERC") and the Social Sciences and Humanities Research Council ("SSHRC").

Aggregate expected funding over the remaining term of the agreement is to be received as follows:

Fiscal year	CIHR	NSERC	SSHRC	Total
2015	\$ 2,796,781	\$ 884,000	\$ 266,000	\$ 3,946,781
2016	2,409,741	–	1,625,000	4,034,741
2017	3,600,000	–	400,000	4,000,000
2018	400,000	–	–	400,000
Total	\$ 9,206,522	\$ 884,000	\$ 2,291,000	\$ 12,381,522

The annual contributions noted above will be released subject to:

- Parliamentary appropriation of the funds in each fiscal period;
- Satisfactory progress, as determined by the NCE Secretariat, towards predetermined milestones for TVN;
- Continuing eligibility of Queen's University at Kingston as the NCE Network Host and TVN; and
- Compliance with the terms of the funding agreement.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements (continued)

Year ended March 31, 2014

5. Related parties:

- (a) TVN is related to Queen's University at Kingston ("the University") and Kingston General Hospital ("KGH") by virtue of the fact that the University and KGH are the host institutions under the NCE program.

Under the NCE Network Host agreement, the University provides certain administrative and Information technology support services as well as sharing half of annual office lease costs at the KGH site. KGH shares one quarter of the annual lease costs.

- (b) During the year, TVN received \$58,700 from the University's Office of the Vice-Principal (Research) office.
- (c) During the year, TVN earned interest income of \$56,066 (2013 - \$10,337) from the University related to TVN's funds on deposit at the University. Included in accounts receivable is \$11,367 (2013 - \$10,337) related to this revenue.
- (d) During the year, TVN approved a research award in the amount of \$266,340 to be used for the current Scientific Director's research project expenses for the period from October 1, 2013 to September 30, 2015. Research program expenses include \$64,582 relating to this award. The balance of this award is included in the commitments as outlined in note 3(a).

Related party transactions are recorded at the exchange amount, being the amount of cash consideration paid or payable in respect of the transaction.

6. Financial risks and concentration of risk:

- (a) Liquidity risk:

Liquidity risk is the risk that TVN will be unable to fulfill its obligations on a timely basis or at a reasonable cost. TVN manages its liquidity risk by monitoring its operating requirements. TVN prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

- (b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. TVN is exposed to credit risk with respect to the accounts receivable. TVN assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The balance in the allowance for doubtful accounts as at March 31, 2014 is \$Nil (2013 - \$Nil).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.