

Financial Statements of

**TECHNOLOGY EVALUATION IN
THE ELDERLY NETWORK**

First period ended March 31, 2013

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Financial Statements

First period ended March 31, 2013

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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, 2013, the statements of operations, changes in net assets and cash flows for the first period 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 in our audit 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, 2013, and its results of operations, changes in net assets and its cash flows for the first period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 18, 2013

Kingston, Canada

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Statement of Financial Position

March 31, 2013

	2013
Assets	
Current assets:	
Cash and cash equivalents	\$ 163,094
Short-term investments	20,075
Due from Queen's University at Kingston	4,236,847
Accounts receivable	108,309
Prepaid expenses	5,508
	\$4,533,833

Liabilities and Net Assets

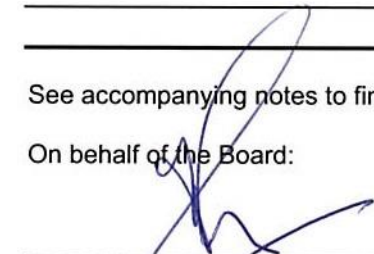
Current liabilities:	
Accounts payable and accrued liabilities	\$ 103,962
Research program payable	248,093
Deferred revenue	4,056,645
	4,408,700
Net assets:	
Unrestricted	125,133
Commitments (note 3)	
Economic dependence (note 4)	
Subsequent event (note 6)	
	\$4,533,833

See accompanying notes to financial statements.

On behalf of the Board:

Steven N. Liss

Member


 Sharon Carstairs Member Sharon Carstairs

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Statement of Operations

First period ended March 31, 2013

	2013
Revenue:	
Networks Centre of Excellence grant	\$ 836,855
Queen's University at Kingston contributions (note 5b)	268,700
Industry grant and contributions	55,000
Interest income	10,660
	<hr/> 1,171,215
Expenses:	
Governance and administrative:	
Administrative salaries and benefits	371,833
Scientific officers (note 5(c))	92,473
Board and committees	28,183
Consulting services	13,702
Staff travel	12,260
Audit fees	8,927
Insurance	7,709
Computer and printing equipment	7,446
Miscellaneous office	3,173
Honorariums	3,000
Human resource advertising	2,929
Incorporation costs	2,786
Legal fees	2,000
Research programs	248,093
Networking and partnerships	219,438
Communications	22,130
	<hr/> 1,046,082
Excess of revenue over expenses	<hr/> \$ 125,133

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Statement of Changes in Net Assets

First period ended March 31, 2013

	2013
Net assets, beginning of first period	\$
Excess of revenue over expenses	125,133
Net assets, end of first period	\$ 125,133

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Statement of Cash Flows

First period ended March 31, 2013

	2013
Cash provided by (used in):	
Operating activities:	
Excess of revenue over expenses	\$ 125,133
Change in non-cash operating working capital	
Due from Queen' University at Kingston	(4,236,847)
Accounts receivable	(108,309)
Prepaid expenses	(5,508)
Accounts payable and accrued liabilities	103,962
Research program payable	248,093
Deferred revenue	4,056,645
Net increase in cash and cash equivalents	183,169
Cash and cash equivalents, beginning of first period	
Cash and cash equivalents, end of first period	\$ 183,169
Represented by:	
Cash	\$ 163,094
Cash equivalents	20,075
	\$ 183,169

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements

First period ended March 31, 2013

1. Nature of operations:

Technology Evaluation in the Elderly Network (the "Network") 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.

The Network 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, the Network 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.

The Network'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. The Network'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 CICA Handbook.

(a) Revenue recognition:

The Network 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.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements (continued)

First period ended March 31, 2013

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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.

(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 the Network'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. The Network 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.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements (continued)

First period ended March 31, 2013

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

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, the Network 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 the Network 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.

(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:

At March 31, 2013, the Network is committed to research grants that are not accrued in the Network's financial statements as they are not yet payable. Current research grant commitments, by year and in aggregate, of the Network to be funded by NCE contributions are as follows:

2014	\$ 573,156
2015	396,532
	<hr/>
	\$ 969,688

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements (continued)

First period ended March 31, 2013

4. Economic dependence:

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

The Network 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. During the period, funding of \$4,893,500 was advanced to the Network.

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 term of the agreement is to be received as follows:

Fiscal year	CIHR	NSERC	SSHRC	Total
2013	\$ 1,436,500	\$ 3,457,000	\$	\$ 4,893,500
2014	5,052,135	1,513,000	48,000	6,613,135
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	\$ 15,695,157	\$ 5,854,000	\$ 2,339,000	\$ 23,888,157

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 the Network;
- Continuing eligibility of Queen's University at Kingston as the NCE Network Host and the Network; and
- Compliance with the terms of the funding agreement.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

Notes to Financial Statements (continued)

First period ended March 31, 2013

5. Related parties:

- (a) The Network 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 and KGH has provided office space to the Network at no cost.

- (b) During the year, the Network received from the University total cash contributions in the amount of \$268,700 which includes \$58,700 from the Office of the Vice-Principal, Research, \$200,000 from the Faculty of Health Sciences and \$10,000 from the Department of Medicine.

- (c) The Clinical Evaluation Research Unit ("CERU") and CARENET organization are organizations directed by the 2012/2013 Scientific Director of the Network and are related party transactions. Services performed by these organizations to the Network during the period included scientific officer expenses in the amount of \$92,473 and \$10,202 for administrative expenses prior to the hiring of the Network's own staff.

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

6. Subsequent event:

On April 1, 2013, the Network entered into a five-year operating lease agreement expiring March 31, 2018 with KGH requiring minimum annual lease payments of \$6,000 for the first year and 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)

First period ended March 31, 2013

7. Financial risks and concentration of risk:

(a) Liquidity risk:

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

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Network is exposed to credit risk with respect to the accounts receivable. The Network 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, 2013 is \$Nil.