

Financial Statements of

**TECHNOLOGY
EVALUATION IN THE
ELDERLY NETWORK**
(OPERATING AS CANADIAN
FRAILTY NETWORK)

Year ended March 31, 2018

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

(OPERATING AS CANADIAN FRAILTY NETWORK)

Financial Statements

Year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of the Technology Evaluation in the Elderly Network (Operating as Canadian Frailty Network)

We have audited the accompanying financial statements of the Technology Evaluation in the Elderly Network (Operating as Canadian Frailty Network), which comprise the statement of financial position as at March 31, 2018, 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 (Operating as Canadian Frailty Network) as at March 31, 2018, and its results of operations 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

Kingston, Canada

June 25, 2018

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

(OPERATING AS CANADIAN FRAILTY NETWORK)

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 571,118	\$ 883,562
Short-term investment	100,441	31,107
Due from Queen's University at Kingston	7,279,468	4,854,842
Accounts receivable	134,012	144,083
Prepaid expenses	3,690	3,665
	\$ 8,088,729	\$ 5,917,259
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 303,387	\$ 199,799
Research and interdisciplinary fellowship program payables	-	1,830,317
Deferred revenue	7,297,869	3,483,608
	7,601,256	5,513,724
Net assets:		
Unrestricted	487,473	403,535
Commitments (note 3)		
Economic dependence (note 4)		
	\$ 8,088,729	\$ 5,917,259

See accompanying notes to financial statements.

On behalf of the Board:

_____ Member

_____ Member

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK
(OPERATING AS CANADIAN FRAILTY NETWORK)
Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Networks Centre of Excellence grant	\$ 5,155,671	\$ 6,765,064
Interest income	53,030	53,042
Industry grant and contributions	90,000	45,256
Other	35,781	–
	<u>5,334,482</u>	<u>6,863,362</u>
Expenses:		
Governance and administrative:		
Administrative salaries and benefits	545,746	495,391
Computer and printing equipment	26,235	2,633
Board and committees	23,238	53,723
Miscellaneous office	13,736	6,129
Audit fees	9,203	9,645
Insurance	8,831	8,691
Staff travel	8,351	27,846
Legal fees	2,622	4,763
Human resource advertising	369	131
Consulting services	–	50,846
Administrative office rent	–	8,942
Research programs	3,502,157	5,217,901
Knowledge translation	559,167	356,118
Networking and partnerships	263,023	14,771
Interdisciplinary fellowship programs	216,105	446,667
Communications	71,761	80,293
	<u>5,250,544</u>	<u>6,784,490</u>
Excess of revenue over expenses	\$ 83,938	\$ 78,872

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK
(OPERATING AS CANADIAN FRAILTY NETWORK)
Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Net assets, beginning of year	\$ 403,535	\$ 324,663
Excess of revenue over expenses	83,938	78,872
Net assets, end of year	\$ 487,473	\$ 403,535

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK
(OPERATING AS CANADIAN FRAILTY NETWORK)
Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 83,938	\$ 78,872
Change in non-cash operating working capital:		
Due from Queen's University at Kingston	(2,424,626)	1,349,246
Accounts receivable	10,071	(46,539)
Prepaid expenses	(25)	20,728
Accounts payable and accrued liabilities	103,588	32,595
Research and Interdisciplinary fellowship program payables	(1,830,317)	1,792,917
Deferred revenue	3,814,261	(2,945,595)
	(243,110)	282,224
Investing activities:		
Increase in short-term investment	(69,334)	(10,808)
Increase (decrease) in cash and cash equivalents	(312,444)	271,416
Cash and cash equivalents, beginning of year	883,562	612,146
Cash and cash equivalents, end of year	\$ 571,118	\$ 883,562

See accompanying notes to financial statements.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK (OPERATING AS CANADIAN FRAILTY NETWORK)

Notes to Financial Statements

Year ended March 31, 2018

1. Nature of operations:

Technology Evaluation in the Elderly Network (Operating as Canadian Frailty Network) (“CFN”) 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.

CFN supports multidisciplinary research related to healthcare tools, technology and interventions for older patients living with frailty and their families and caregivers. Funded in July 2012 as a part of the Networks of Centre of Excellence of Canada (“NCE”) program, CFN 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.

CFN’s mission is to improve care for older adults living with frailty and support their families and caregivers through increasing recognition and assessment of frailty, increasing evidence for decision making, advancing evidence-based changes to care, educating the next generation of scientists and care providers, and by engaging with older adults and caregivers. There are an estimated 1 million older adults living with frailty which will increasingly rise as the population ages. CFN’s vision is to ensure that all older Canadians living with frailty receive the best possible care commensurate with their wishes, while at the same time contributing to the sustainability of Canadian health and social care systems.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

CFN 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

(OPERATING AS CANADIAN FRAILTY NETWORK)

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 CFN'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. CFN 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, CFN 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 CFN 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

(OPERATING AS CANADIAN FRAILTY NETWORK)
Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(g) Employee future benefit liabilities:

CFN is an employer member of the Health Care of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. CFN accounts for this plan on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due.

(h) 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.

3. Commitments:

At March 31, 2018, CFN is committed to research and interdisciplinary fellowship program grants that are not accrued in CFN's financial statements as they are not yet payable. Current research and interdisciplinary fellowship program grant commitments, by year and in aggregate, of CFN to be funded by NCE contributions are as follows:

2019	\$ 5,910,903
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4. Economic dependence:

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

CFN entered into a funding agreement effective April 1, 2017 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 \$8,921,231 (2017 - \$Nil) has been advanced to CFN 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").

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

(OPERATING AS CANADIAN FRAILTY NETWORK)

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Economic dependence (continued):

Aggregate expected funding over the next four years is to be received as follows:

Fiscal year	CIHR	NSERC	SSHRC	Total
2019	\$ 1,782,000	\$ 3,412,157	\$ 562,000	\$ 5,756,157
2020	4,556,000	326,000	530,000	5,412,000
2021	2,236,000	–	242,000	2,478,000
2022	1,860,000	–	200,000	2,060,000
Total	\$ 10,434,000	\$ 3,738,157	\$ 1,534,000	\$ 15,706,157

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

5. Related parties:

(a) CFN is related to Queen's University at Kingston (the "University") and Kingston Health Sciences Centre ("KHSC") by virtue of the fact that the University and KHSC are the host institutions under the NCE program.

Under the NCE Network Host agreement, the University provides certain administrative and Information technology support services.

(b) During the year, CFN received \$58,700 (2017 - \$58,700) from the University's Office of the Vice-Principal (Research) office.

(c) During the year, CFN earned interest income of \$53,030 (2017 - \$53,041) from the University related to CFN's funds on deposit at the University. Included in accounts receivable is \$Nil (2017 - \$Nil) related to this revenue.

(d) CFN approved a research award in the amount of \$450,000 in 2017/18 to be used for the current Scientific Director's research project expenses for the period from January 1, 2018 to December 31, 2019. Research program expenses to date include \$450,000 relating to this award.

TECHNOLOGY EVALUATION IN THE ELDERLY NETWORK

(OPERATING AS CANADIAN FRAILTY NETWORK)

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Related parties (continued):

- (e) During the year, CFN purchased curriculum development services for its Highly Qualified Training program from the University in the amount of \$90,000 (2017 - \$125,000).
- (f) During the year, CFN received \$80,000 (2017 - \$Nil) from the University's Faculty of Health Sciences

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

6. Pension plan:

As of January 1, 2015, substantially all of the employees of CFN are members of the HealthCare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by CFN on behalf of its employees amounted to \$41,433 (2017 - \$32,738) and are included in administrative salaries and benefits expenses on the statement of operations.

7. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that CFN will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CFN manages its liquidity risk by monitoring its operating requirements. CFN 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. CFN is exposed to credit risk with respect to cash and cash equivalents and accounts receivable. CFN assesses, on a continuous basis, accounts receivable and provides for any amounts that are not considered collectible in an allowance for doubtful accounts. The balance in the allowance for doubtful accounts as at March 31, 2018 is \$Nil (2017 - \$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 other than the NCE funding renewal as described in note 4, which impacts CFN's liquidity risk.