

Financial Statements

AGE-WELL NCE Inc.

March 31, 2016



INDEPENDENT AUDITORS' REPORT

To the Members of
AGE-WELL NCE Inc.

We have audited the accompanying financial statements of **AGE-WELL NCE Inc.**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and changes in unrestricted 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 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 the auditors' 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, the auditors 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 **AGE-WELL NCE Inc.** as at March 31, 2016, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada
September 24, 2016

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION
AGE-WELL NCE Inc.

As at March 31

	2016	2015
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	71,193	—
Due from University Health Network <i>[note 7]</i>	6,825,827	4,640,887
Unspent research grants held at participating institutions	1,973,783	—
Accounts receivable <i>[note 3]</i>	103,958	—
Prepaid expenses	9,323	—
	8,984,084	4,640,887
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities <i>[note 4]</i>	282,049	135,702
Total current liabilities	282,049	135,702
Deferred contributions <i>[note 5]</i>	8,626,100	4,505,185
Total liabilities	8,908,149	4,640,887
Commitments <i>[note 9]</i>		
Net assets		
Unrestricted	75,935	—
	8,984,084	4,640,887

See accompanying notes

On behalf of the Board:



Director



Director

**STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET
ASSETS**

AGE-WELL NCE Inc.

Year ended March 31

	2016	2015
	\$	\$
REVENUE		
Networks of Centres of Excellence grant <i>[note 5]</i>	4,049,225	209,815
Grant from other partners/organizations <i>[note 5]</i>	20,804	—
Other sources of funds	80,000	—
	4,150,029	209,815
EXPENSES		
Research and training	3,253,143	—
Networking meetings and events	233,470	28,795
Communications	75,055	—
Professional fees	32,410	49,925
Travel	12,067	28,113
Administration	467,949	102,982
	4,074,094	209,815
Excess of revenue over expenses for the year	75,935	—
Unrestricted net assets, beginning of year	—	—
Unrestricted net assets, end of year	75,935	—

See accompanying notes

STATEMENT OF CASH FLOWS
AGE-WELL NCE Inc.

Year ended March 31

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	75,935	—
Changes in non-cash working capital balances related to operations		
Increase in due from University Health Network	(2,184,940)	(4,640,887)
Increase in unspent research grants held at participating institutions	(1,973,783)	—
Increase in accounts receivable	(103,958)	—
Increase in prepaid expenses	(9,323)	—
Increase in accounts payable and accrued liabilities	146,347	135,702
Increase in deferred contributions	4,120,915	4,505,185
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Cash provided by operating activities and net increase in cash and cash equivalents during the year	71,193	—
Cash and cash equivalents, beginning of year	—	—
Cash and cash equivalents, end of year	71,193	—
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See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. NATURE OF OPERATIONS

The Networks of Centres of Excellence Program [the “NCE”] was created by the Government of Canada to mobilize Canadian research talent in the academic, private and public sectors and apply it to the task of developing the Canadian economy and improving the quality of life of Canadians. The NCE program is a program of the Government of Canada administered jointly by the Natural Sciences and Engineering Research Council [“NSERC”], the Social Sciences and Humanities Research Council [“SSHRC”] and the Canadian Institutes of Health [“CIHR”] in partnership with Innovation, Science and Economic Development Canada and Health Canada.

In addition to the above Federal funding, AGE-WELL NCE Inc. [the “Network”] is expected to receive partner funding, mostly from various industry players who collaborate with the Network in various programs and projects.

The Network is a not-for-profit organization incorporated as a corporation on November 18, 2014 without share capital under the *Canada Not-for-Profit Corporations Act* and is exempt from income taxes.

The Network has been established to achieve the following objectives:

- Establish a network of national and international research centres, industry and institutions that can develop and implement new technologies for healthy aging;
- Conduct world class research in the field of technologies for healthy aging;
- Develop a transdisciplinary understanding of the technological and methodological aspects of technology for healthy aging, including an in-depth understanding of the needs of the population and the social, ethical and policy implications;
- Accelerate innovation through the training and mentorship of highly qualified personnel in unique, applied environments and through a core focus on commercialization, clinical application and knowledge mobilization;
- Foster strong networking and partnerships among academic, public, private and community sector stakeholders that will support the outcome of the Network and its partners; and
- Create capacity for Canada to establish its position as a global leader in the development of technologies for healthy aging.

The Network is operating under a Host Institution Agreement effective March 10, 2015 with University Health Network [“UHN”] under which UHN serves as the host institution for the Network, providing facilities and services for the Network’s administrative centre.

In addition, the Network entered into a Networks of Centres of Excellence Network Agreement [the “Agreement”] with UHN and a number of Universities and research centres within Canada [the “Network Members”]. The Agreement outlines how the Network’s funding of certain research activities carried out at Network Members are to be used and the obligations that the Network Members have with respect to such funding.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

The Network follows the deferral method of accounting for contributions which include government and other grants. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related eligible expenses are recognized. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Restricted and unrestricted contributions are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 [note 9].

Financial instruments

Financial instruments, including accounts receivable, unspent research grants held at participating institutions, and accounts and research funding payable to other institutions, are initially recorded at fair value and are subsequently recorded at cost or amortized cost, net of any provisions for impairment.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments with a maturity of approximately three months or less at the date of purchase.

AGE-WELL NCE Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2016	2015
	\$	\$
Research funding	66,875	—
Other	37,083	—
	103,958	—

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2016	2015
	\$	\$
Trade accounts payable and other accrued liabilities	67,653	135,702
Research funding payable to other institutions	214,396	—
	282,049	135,702

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for program expenses in future years. Changes in the deferred contributions balance are as follows:

	2016	2015
	\$	\$
Balance, beginning of year	4,505,185	—
Amounts received during the year NCE [note 6]	8,095,944	4,715,000
Amounts received during the year – Non-NCE	95,000	—
Amounts recognized as revenue during the year	(4,070,029)	(209,815)
Balance, end of year	8,626,100	4,505,185

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

6. CONTRIBUTIONS

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 NCE agreed to contribute funding of \$36,605,194 for operations over a period of five years from 2015 to 2019. The funding is to be received according to the following schedule:

	NSERC \$	CIHR \$	SSHRC \$	Total \$
2015	2,357,000	1,858,000	500,000	4,715,000
2016	5,343,000	2,752,944	—	8,095,944
2017	5,580,000	1,941,560	564,000	8,085,560
2018	5,020,000	1,671,672	1,420,000	8,111,672
2019	3,800,000	2,797,018	1,000,000	7,597,018
Total	22,100,000	11,021,194	3,484,000	36,605,194

The annual contributions noted above are 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 UHN as the NCE Network Host and the Network; and
- Compliance with the terms of the funding agreement.

In fiscal 2016, funding of \$8,095,944 [2015 – \$4,715,000] was received [note 5].

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

7. RELATED PARTY TRANSACTIONS

[a] The Network is related to UHN by virtue of the fact that UHN is the host institution under the NCE program.

Under the NCE Network Host Agreement, UHN provides office space and certain administrative and information technology support services to the Network at no cost.

[b] All UHN employees engaged in the Network's programs or administration have the same benefits and terms, as set out in employment terms and usual practice and rules followed by UHN, as a host and ends with the Network's fulfilment of project terms or tenure.

[c] Based on the funding arrangement between the Network and the NCE, the NCE funds are to be administered by the host institution. The amount due from UHN on the statement of financial position represents the funds held by UHN for the Network's NCE program.

[d] The Network, through its normal course of operations, has undertaken transactions with its two scientific directors. Grants in the amount of \$245,000 [2015 – nil] combined have been provided to these directors for conducting research related to the Network's programs.

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

8. FINANCIAL RISKS

The Network is not exposed to significant liquidity, interest rate or currency risk.

Credit risk

The Network is exposed to credit risk in connection with its accounts receivable and unspent research grants held at participating institutions because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

9. COMMITMENTS

Subsequent to year-end, the Network has committed to provide funding to institutional partners for the 2016-2017 funding year of \$3,675,540.

10. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 financial statements.

