

# AGE-WELL NCE Inc.

**Financial statements**

**March 31, 2019**



# Independent auditor's report

To the Members of  
**AGE-WELL NCE Inc.**

## Opinion

We have audited the financial statements of **AGE-WELL NCE Inc.** [the "Network"], which comprise the statement of financial position as at March 31, 2019, and the statement of operations and changes in unrestricted net assets and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Network as at March 31, 2019, and its results of 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.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Network in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Network's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Network or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Network's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Network's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Network's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Network to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada  
August 15, 2019

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



**AGE-WELL NCE Inc.**

**Statement of financial position**

As at March 31

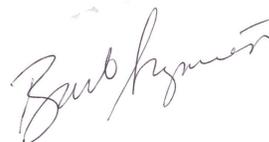
	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	<b>227,322</b>	274,454
Due from University Health Network <i>[note 7]</i>	<b>7,981,468</b>	8,105,867
Unspent research grants held at participating institutions	<b>1,773,711</b>	1,392,801
Accounts receivable <i>[note 3]</i>	<b>173,581</b>	80,736
Prepaid expenses	<b>16,258</b>	26,030
<b>Total current assets</b>	<b>10,172,340</b>	9,879,888
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[note 4]</i>	<b>307,918</b>	215,050
Unearned revenue	<b>32,180</b>	43,416
<b>Total current liabilities</b>	<b>340,098</b>	258,466
Deferred contributions <i>[note 5]</i>	<b>9,504,514</b>	9,421,438
<b>Total liabilities</b>	<b>9,844,612</b>	9,679,904
Commitments <i>[note 9]</i>		
<b>Net assets</b>		
Unrestricted	<b>327,728</b>	199,984
<b>Total net assets</b>	<b>10,172,340</b>	9,879,888

See accompanying notes

On behalf of the Board:



Director



Director

**AGE-WELL NCE Inc.**

**Statement of operations and changes in unrestricted net assets**

Year ended March 31

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Revenue</b>		
Networks of Centres of Excellence grant <i>[note 5]</i>	<b>7,419,892</b>	8,102,942
Grant from other partners/organizations <i>[note 5]</i>	<b>131,550</b>	142,926
Other sources of funds	<b>135,766</b>	121,376
	<b>7,687,208</b>	8,367,244
<b>Expenses</b>		
Research and training <i>[note 7]</i>	<b>5,982,290</b>	6,839,914
Networking meetings and events	<b>504,657</b>	339,286
Communications	<b>150,249</b>	100,641
Professional fees	<b>54,906</b>	29,254
Travel	<b>20,565</b>	34,150
Administration	<b>846,797</b>	936,672
	<b>7,559,464</b>	8,279,917
<b>Excess of revenue over expenses for the year</b>	<b>127,744</b>	87,327
Unrestricted net assets, beginning of year	<b>199,984</b>	112,657
<b>Unrestricted net assets, end of year</b>	<b>327,728</b>	199,984

*See accompanying notes*

**AGE-WELL NCE Inc.****Statement of cash flows**

Year ended March 31

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Excess of revenue over expenses for the year	<b>127,744</b>	87,327
Changes in non-cash working capital balances related to operations		
Decrease (increase) in due from University Health Network	<b>124,399</b>	(301,765)
Decrease (increase) in unspent research grants held at participating institutions	<b>(380,910)</b>	363,958
Increase in accounts receivable	<b>(92,845)</b>	(19,841)
Decrease (increase) in prepaid expenses	<b>9,772</b>	(16,040)
Increase in accounts payable and accrued liabilities	<b>92,868</b>	17,261
Increase (decrease) in unearned revenue	<b>(11,236)</b>	16,976
Increase (decrease) in deferred contributions	<b>83,076</b>	(34,696)
	<b>(174,876)</b>	25,853
<b>Cash provided by (used in) operating activities and net increase (decrease) in cash during the year</b>	<b>(47,132)</b>	113,180
Cash and cash equivalents, beginning of year	<b>274,454</b>	161,274
<b>Cash and cash equivalents, end of year</b>	<b>227,322</b>	274,454

*See accompanying notes*

## **Notes to financial statements**

March 31, 2019

### **1. Nature of operations**

The Networks of Centres of Excellence [the “NCE”] program 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 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 Research [“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 Network Host 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, 2019

### **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.

Membership fees are initially recorded as deferred revenue and subsequently recognized as other revenue over the period of the membership.

#### **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 cash and cash equivalents, 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.

Unless otherwise noted, it is management's opinion that the Network is not subject to any significant financial risks related to these financial instruments.

#### **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, 2019

**3. Accounts receivable**

Accounts receivable consist of the following:

	<b>2019</b>	<b>2018</b>
	\$	\$
Research funding	<b>99,345</b>	14,187
Other	<b>74,236</b>	66,549
	<b>173,581</b>	80,736

**4. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities consist of the following:

	<b>2019</b>	<b>2018</b>
	\$	\$
Trade accounts payable and other accrued liabilities	<b>232,918</b>	142,510
Research funding payable to other institutions	<b>75,000</b>	72,540
	<b>307,918</b>	215,050

**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:

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance, beginning of year	<b>9,421,438</b>	9,456,134
Amounts received during the year – NCE [note 6]	<b>7,597,018</b>	8,111,672
Amounts received during the year – non-NCE	<b>37,500</b>	99,500
Amounts recognized as revenue during the year	<b>(7,551,442)</b>	(8,245,868)
Balance, end of year	<b>9,504,514</b>	9,421,438

## Notes to financial statements

March 31, 2019

### 6. Contributions

The Network currently generates substantially all of its revenue from the NCE funding agreement. The ability of the Network to continue operations is dependent upon this funding agreement remaining in effect. As of March 31, 2020, the funding from the Network's NCE funding agreement will come to an end. The Network has submitted a renewal application that, if approved, will provide funding for three additional years up to March 31, 2023.

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
	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 host institution and the Network; and
- Compliance with the terms of the funding agreement.

In fiscal 2019, funding of \$7,597,018 [2018 – \$8,111,672] was received [note 5].

## **Notes to financial statements**

March 31, 2019

### **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 agreement between the Network and the NCE, the NCE funds are to be administered by UHN. 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 provided to these directors for conducting research and training activities related to the Network's programs amounted to a combined total of \$328,366 [2018 – \$473,499].

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 and risk management**

The Network is not exposed to significant 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.

#### **Liquidity risk**

The Network is exposed to liquidity risk to the extent that it will encounter difficulty in meeting obligations associated with its financial liabilities. To manage this risk, the Network keeps sufficient cash resources readily available to meet its obligations.

### **9. Commitments**

Subsequent to year-end, the Network has committed to provide funding to institutional partners for the 2019-20 funding year of \$5,598,135.