

Canadian Agency for Drugs and Technologies in Health

Financial Statements
March 31, 2017



June 28, 2017

Independent Auditor's Report

To the Members of Canadian Agency for Drugs and Technologies in Health

We have audited the accompanying financial statements of Canadian Agency for Drugs and Technologies in Health, which comprise the statement of financial position as at March 31, 2017 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes, which comprise 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.

Auditor's 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 auditor's 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 auditor considers internal control relevant to the entity's preparation 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.

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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, these financial statements present fairly, in all material respects, the financial position of Canadian Agency for Drugs and Technologies in Health as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Canadian Agency for Drugs and Technologies in Health

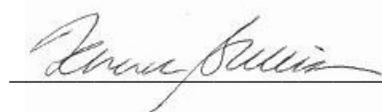
Statement of Financial Position

As at March 31, 2017

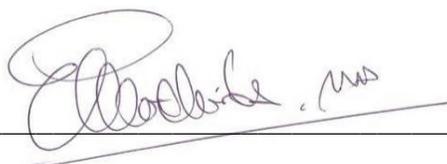
	2017 \$	2016 \$
Assets		
Current assets		
Cash and cash equivalents	5,139,758	4,110,234
Investments (note 3)	2,429,276	2,653,384
Accounts receivable	382,981	542,220
Prepaid expenses	590,910	507,618
	<u>8,542,925</u>	<u>7,813,456</u>
Capital assets (note 4)	<u>765,730</u>	<u>892,887</u>
	<u>9,308,655</u>	<u>8,706,343</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	2,524,787	2,227,374
Grants payable	-	16,788
Deferred revenue	1,583,771	1,586,713
	<u>4,108,558</u>	<u>3,830,875</u>
Deferred contributions related to capital assets	606,888	646,079
Deferred leasehold inducement	186,287	287,899
	<u>4,901,733</u>	<u>4,764,853</u>
Net assets		
Unrestricted	100,000	100,000
Internally restricted - pCODR	855,373	674,708
Internally restricted - Other (note 10)	3,451,549	3,166,782
	<u>4,406,922</u>	<u>3,941,490</u>
	<u>9,308,655</u>	<u>8,706,343</u>

Commitments (note 7)

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements.

Canadian Agency for Drugs and Technologies in Health

Statement of Changes in Net Assets

For the year ended March 31, 2017

	Balance - Beginning of year \$	Net revenue for the year \$	Transfers from (to) \$	Balance - End of year \$
Unrestricted	100,000	465,432	(465,432)	100,000
Internally restricted - pCODR	674,708	-	180,665	855,373
Internally restricted - Other (note 10)	3,166,782	-	284,767	3,451,549
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	3,941,490	465,432	-	4,406,922
	<hr/>			<hr/>

The accompanying notes are an integral part of these financial statements.

Canadian Agency for Drugs and Technologies in Health

Statement of Operations

For the year ended March 31, 2017

	Budget	2017	2016
	\$	Actual	Actual
	(unaudited)	\$	\$
Revenue			
Grants and service revenue (note 5)	23,091,314	22,932,799	23,297,392
Other service revenue	73,500	80,363	211,247
Interest and other income (note 6)	600,000	846,965	620,682
Industry fees	3,840,000	4,108,400	3,512,600
	<u>27,604,814</u>	<u>27,968,527</u>	<u>27,641,921</u>
Expense			
Salaries and benefits	18,407,639	18,024,333	18,437,757
Professional fees	3,329,014	3,335,691	3,845,634
Occupancy costs	2,159,000	2,025,028	1,989,549
Facilities, computers and office	990,157	1,200,171	1,158,638
Travel	1,038,450	1,028,229	1,150,840
Other	1,680,554	1,889,643	1,727,805
	<u>27,604,814</u>	<u>27,503,095</u>	<u>28,310,223</u>
Net revenue (expense) for the year	<u>-</u>	<u>465,432</u>	<u>(668,302)</u>

The accompanying notes are an integral part of these financial statements.

Canadian Agency for Drugs and Technologies in Health

Statement of Cash Flows

For the year ended March 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expense) for the year	465,432	(668,302)
Items not affecting cash -		
Amortization of capital assets	432,389	405,147
Amortization of deferred contributions related to capital assets	(344,432)	(340,281)
Amortization of leasehold inducement	(101,612)	(100,761)
Net change in non-cash working capital items	353,630	(722,244)
	<u>805,407</u>	<u>(1,426,441)</u>
Investing activities		
Purchase of investments	(139,240)	(1,809,204)
Proceeds from investments	363,348	453,516
Purchase of capital assets	(305,232)	(313,027)
	<u>(81,124)</u>	<u>(1,668,715)</u>
Financing activity		
Contributions received to purchase capital assets	305,241	313,024
	<u>305,241</u>	<u>313,024</u>
Net change in cash and cash equivalents for the year	1,029,524	(2,782,132)
Cash and cash equivalents - Beginning of year	4,110,234	6,892,366
Cash and cash equivalents - End of year	<u>5,139,758</u>	<u>4,110,234</u>

The accompanying notes are an integral part of these financial statements.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2017

1 Purpose of the Organization

Canadian Agency for Drugs and Technologies in Health (“CADTH” or “the Organization”) is a national organization formed to facilitate the appropriate and effective utilization of health technologies within the health care systems across Canada by providing timely, relevant and rigorously derived evidence-based information to decision-makers and support for the decision-making process. The Organization acts in accordance with priorities of federal, provincial and territorial Deputy Ministers of Health, who are members of the Organization and provide all grant revenue. Health technologies include, without restriction, all procedures, devices, equipment and drugs used in the maintenance, restoration and promotion of health.

CADTH is incorporated under the *Canada Not-for-profit Corporations Act*. As a not-for-profit organization, CADTH is exempt from income taxes.

2 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 expense during the reporting periods. Actual results could differ from these estimates.

Cash and cash equivalents

Amounts held in money market accounts are considered cash and cash equivalents as they are short-term, highly liquid investments that are not subject to significant changes in value.

Investments

Investments are carried at amortized cost. Interest income is recorded in interest and other income in the statement of operations.

Capital assets

Capital assets are initially recorded at cost. Amortization is based on the estimated useful lives of the assets and is provided for on a straight-line basis at the following annual rates.

Computer equipment	33%
Furniture and equipment	20%
Library	20%
Software	20% to 50%

One-half of the above rates is applied in the year of acquisition.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2017

Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease.

Grants payable

Grants payable may change depending upon final review by the funders. Any adjustments that may be requested will be recorded in the year identified.

Lease inducements

The benefits of lease inducements provided by the landlord, consisting of costs paid by the landlord for leasehold improvements and periods of nominal or reduced rent in the early months of the lease, are aggregated and amortized on a straight-line basis to occupancy costs over the term of the lease resulting in a constant occupancy costs before operating expenses.

Revenue recognition

The Organization follows the deferral method of accounting for revenue. Restricted grants are recognized as revenue in the year in which related expenses are incurred. Restricted grants for the purchase of capital assets are deferred and recognized as revenue at the same rate as the related capital assets are amortized. Unrestricted grants are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

3 Investments

	2017 \$	2016 \$
Guaranteed investment certificates	1,342,689	1,342,689
Government notes	1,061,587	1,109,721
Investment savings account	25,000	200,974
	<hr/> 2,429,276	<hr/> 2,653,384

Guaranteed investment certificates bear fixed interest rates ranging from 1.75% to 2.22% and mature between 2017 and 2020 (2016 - 1.75% to 2.20% and mature between 2017 and 2020).

Government notes bear fixed interest rates ranging from 1.50% to 5.50% and mature between 2017 and 2022 (2016 - 1.50% to 5.50% and mature between 2016 and 2021).

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2017

4 Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	1,483,852	1,207,492	276,360	223,157
Furniture and equipment	1,554,886	1,424,229	130,657	163,997
Library	543,803	433,064	110,739	95,298
Software	674,130	667,127	7,003	43,032
Leasehold improvements	1,413,279	1,172,308	240,971	323,714
Assets under development	-	-	-	43,689
	5,669,950	4,904,220	765,730	892,887

Cost and accumulated amortization amounted to \$5,364,718 and \$4,471,831 respectively at March 31, 2016.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2017

5 Grants and service revenue

				2017	2016
	Health Technology Assessment/ Optimal Use \$	Common Drug Review \$	Pan- Canadian Oncology Drug Review \$	Total \$	Total \$
Alberta	342,804	460,749	328,833	1,132,386	1,132,386
British Columbia	468,284	615,880	328,833	1,412,997	1,412,997
Manitoba	140,140	172,921	328,833	641,894	641,894
New Brunswick	95,727	113,842	93,718	303,287	303,287
Newfoundland and Labrador	69,854	80,265	77,276	227,395	227,395
Northwest Territories	4,813	6,151	-	10,964	10,964
Nunavut	2,517	4,241	-	6,758	6,758
Nova Scotia	118,149	141,748	106,872	366,769	366,769
Ontario	-	1,785,496	328,833	2,114,329	2,114,329
Prince Edward Island	18,542	20,826	50,969	90,337	90,337
Saskatchewan	125,479	152,740	328,833	607,052	607,052
Yukon Territory	3,881	4,496	-	8,377	8,377
Federal government	14,090,252	1,639,684	328,833	16,058,769	16,058,769
	<u>15,480,442</u>	<u>5,199,039</u>	<u>2,301,833</u>	22,981,314	22,981,314
Less: Contributions received to purchase capital assets				(305,241)	(313,024)
Add: Amortization of deferred contributions related to capital assets				344,432	340,281
Health Canada funding deferred to 2016/17				-	300,000
Health Canada funding deferred to 2017/18				(87,706)	-
Grants repayable				-	(16,788)
Add: Provincial/territorial 2% additional funding				41,596	41,596
Less: Deferred provincial/territorial additional funding				(41,596)	(35,987)
				<u>22,932,799</u>	<u>23,297,392</u>

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2017

6 Interest and other income

	2017	2016
	\$	\$
Symposium income	548,175	478,880
Workshop income	46,564	-
Rental and other income	173,637	74,998
Interest income	78,589	66,804
	<hr/>	<hr/>
	846,965	620,682

7 Commitments

Under the terms of operating leases for office space, the Organization is committed to the following minimum lease payments.

	\$
Year ending March 31, 2018	2,247,138
2019	1,963,336
2020	378,955
2021	373,856
2022	375,627
Thereafter	816,591

8 Additional activities

The Organization is mandated to collect revenue on behalf of the Canada Standards Association Health Care Technology Program. Receipts and corresponding disbursements of \$408,062 are not recorded in these financial statements.

9 Employee benefits

The Organization participates in a multiemployer defined benefit plan providing pension benefits administered by the Hospitals of Ontario Pension Plan (HOOPP). The Organization has adopted defined contribution plan accounting principles for the HOOPP because insufficient information is available to apply defined benefit plan accounting principles. The most recent financial results for HOOPP indicate that, as at December 31, 2016, the plan was fully funded with a surplus of \$12 billion. Variances between actuarial funding estimates and actual experience may be material and differences are generally funded by the participating members. Insufficient information is available to determine the Organization's portion of the pension assets and liabilities.

Included in salaries and benefits expense for the year is \$1,398,456 (2016 - \$1,378,456) which represents the Organization's required current contributions to the plan for the year.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

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10 Internally restricted net assets

The Organization's Board of Directors has established a reserve policy restricting a portion of the net assets. The level of the restricted balance is reviewed and adjusted annually by the Board of Directors. Net assets have been internally restricted for legal and operating contingencies up to a maximum \$8,037,000.

11 Government remittances

Government remittances (sales and withholding taxes) of \$nil (2016 - \$40,972) are included in accounts payable and accrued liabilities.

Canadian Agency for Drugs and Technologies in Health

Schedule of Operations by Program

(Unaudited)

For the year ended March 31, 2017

	Health Technology Assessment \$	Optimal Use \$	Common Drug Review \$	Pan- Canadian Oncology Drug Review \$	Corporate & Evaluation \$	Other Services \$	Total \$
Revenue							
Grant and service revenue	9,071,443	6,376,772	5,111,538	2,373,046	-	-	22,932,799
Industry fees	-	-	2,478,800	1,449,600	-	180,000	4,108,400
Other	297,370	297,369	-	16,666	235,560	80,363	927,328
	9,368,813	6,674,141	7,590,338	3,839,312	235,560	260,363	27,968,527
Expense							
Salaries and benefits	5,886,802	3,681,192	3,961,120	1,648,756	2,621,106	225,357	18,024,333
Professional fees	545,431	511,703	916,142	897,582	395,685	69,148	3,335,691
Insurance	21,512	14,253	18,332	7,128	9,519	985	71,729
Occupancy costs	618,925	403,383	521,833	195,280	257,341	28,266	2,025,028
Communication and publication	316,946	160,639	162,949	43,387	73,488	1,242	758,651
Library	79,054	46,813	39,381	7,642	-	756	173,646
Memberships and professional development	129,195	82,416	79,368	15,177	54,111	3,207	363,474
Facilities, computers and office	389,516	319,808	217,735	129,255	133,187	10,670	1,200,171
Travel	296,102	237,293	197,178	145,648	146,637	5,371	1,028,229
Recruitment	19,275	12,771	29,349	1,490	8,528	937	72,350
Miscellaneous	-	-	-	-	17,403	-	17,403
Amortization	115,614	74,270	99,061	94,294	44,287	4,864	432,390
Other services	(9,054)	43,040	41,988	(10,620)	79,150	(144,504)	-
Corporate support	1,277,996	841,622	947,572	483,628	(3,604,882)	54,064	-
	9,687,314	6,429,203	7,232,008	3,658,647	235,560	260,363	27,503,095
Net revenue (expense) for the year	(318,501)	244,938	358,330	180,665	-	-	465,432