

Canadian Agency for Drugs and Technologies in Health

Financial Statements
March 31, 2018



June 22, 2018

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, 2018 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2018 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, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash and cash equivalents	4,658,670	5,139,758
Investments (note 3)	2,729,949	2,429,276
Accounts receivable	588,340	382,981
Prepaid expenses	607,683	590,910
	<u>8,584,642</u>	<u>8,542,925</u>
Capital assets (note 4)	<u>825,750</u>	<u>765,730</u>
	<u>9,410,392</u>	<u>9,308,655</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	2,329,970	2,524,787
Grants payable	39,556	-
Deferred revenue	1,609,823	1,583,771
	<u>3,979,349</u>	<u>4,108,558</u>
Deferred contributions related to capital assets	757,627	606,888
Deferred lease inducement	<u>84,675</u>	<u>186,287</u>
	<u>4,821,651</u>	<u>4,901,733</u>
Net assets		
Unrestricted	100,000	100,000
Internally restricted - pCODR	-	855,373
Internally restricted - other (note 10)	4,488,741	3,451,549
	<u>4,588,741</u>	<u>4,406,922</u>
	<u>9,410,392</u>	<u>9,308,655</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, 2018

	Balance - Beginning of year \$	Net revenue for the year \$	Transfers from (to) \$	Balance - End of year \$
Unrestricted	100,000	181,819	(181,819)	100,000
Internally restricted - pCODR	855,373	-	(855,373)	-
Internally restricted - other (note 10)	3,451,549	-	1,037,192	4,488,741
	<u>4,406,922</u>	<u>181,819</u>	<u>-</u>	<u>4,588,741</u>

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, 2018

	<u>2018</u>		<u>2017</u>
	Budget	Actual	Actual
	\$	\$	\$
	(Unaudited)		
Revenue			
Grants and service revenue (note 5)	25,096,825	25,228,736	22,932,799
Other service revenue	73,500	186,177	80,363
Other income (note 6)	936,649	1,098,209	846,965
Industry fees	4,290,000	4,040,450	4,108,400
	<u>30,396,974</u>	<u>30,553,572</u>	<u>27,968,527</u>
Expense			
Salaries and benefits	20,063,716	19,913,732	18,024,333
Professional fees	3,705,435	3,502,673	3,335,691
Occupancy costs	2,327,405	2,213,348	2,025,028
Facilities, computers and office	1,272,399	1,379,365	1,200,171
Travel	1,186,560	1,377,066	1,028,229
Other	1,841,459	1,985,569	1,889,643
	<u>30,396,974</u>	<u>30,371,753</u>	<u>27,503,095</u>
Net revenue (expense) for the year	<u>-</u>	<u>181,819</u>	<u>465,432</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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Net revenue for the year	181,819	465,432
Items not affecting cash		
Amortization of capital assets	438,469	432,389
Amortization of deferred contributions related to capital assets	(333,277)	(344,432)
Amortization of leasehold inducement	(101,612)	(101,612)
Net change in non-cash working capital items	(351,341)	353,630
	<u>(165,942)</u>	<u>805,407</u>
Investing activities		
Purchase of investments	(1,035,656)	(139,240)
Proceeds from investments	734,983	363,348
Purchase of capital assets	(498,489)	(305,232)
	<u>(799,162)</u>	<u>(81,124)</u>
Financing activity		
Contributions received to purchase capital assets	484,016	305,241
	<u>484,016</u>	<u>305,241</u>
Net change in cash and cash equivalents for the year	(481,088)	1,029,524
Cash and cash equivalents - Beginning of year	5,139,758	4,110,234
Cash and cash equivalents - End of year	<u>4,658,670</u>	<u>5,139,758</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, 2018

1 Purpose of the Organization

Canadian Agency for Drugs and Technologies in Health (“CADTH” or “the Organization”) is an independent, not-for-profit organization responsible for providing Canada’s health care decision-makers with objective evidence to help make informed decisions about the clinical effectiveness and cost-effectiveness of drugs, medical devices, diagnostics, clinical interventions, and health service programs. CADTH accomplishes this by acting as a major producer of credible scientific evidence, advice, recommendations, and tools that enable the appropriate use of health technologies. CADTH also plays a key role as a convenor, collaborator, and broker of evidence from other sources in Canada and abroad.

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 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, 2018

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 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

	2018 \$	2017 \$
Guaranteed investment certificates	1,369,433	1,342,689
Government notes	1,335,181	1,061,587
Investment savings account	25,335	25,000
	<u>2,729,949</u>	<u>2,429,276</u>

Guaranteed investment certificates bear fixed interest rates ranging from 1.8% to 2.5% and mature between 2018 and 2022 (2017 - 1.75% to 2.22% and mature between 2017 and 2020).

Government notes bear fixed interest rates ranging from 3.1% to 5.5% and mature between 2018 and 2022 (2017 - 1.5% to 5.5% and mature between 2017 and 2022).

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2018

4 Capital assets

			2018	2017
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer equipment	1,706,503	1,392,970	313,533	276,360
Furniture and equipment	1,649,286	1,478,690	170,596	130,657
Library	598,983	474,954	124,029	110,739
Software	699,686	680,023	19,663	7,003
Leasehold improvements	1,495,904	1,297,975	197,929	240,971
	6,150,362	5,324,612	825,750	765,730

Cost and accumulated amortization amounted to \$5,669,950 and \$4,904,220 respectively at March 31, 2017.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2018

5 Grants and service revenue

				2018	2017
	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	350,000	1,785,496	328,833	2,464,329	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	16,090,252	1,639,684	328,833	18,058,769	16,058,769
	<u>17,830,442</u>	<u>5,199,039</u>	<u>2,301,833</u>	<u>25,331,314</u>	<u>22,981,314</u>
Less: Contributions received to purchase capital assets				(498,489)	(305,241)
Add: Amortization of deferred contributions related to capital assets				347,761	344,432
Health Canada funding deferred to 2017/18				87,706	(87,706)
Grants repayable				(39,556)	-
Add: Provincial/territorial 2% additional funding				41,596	41,596
Less: Deferred provincial/territorial additional funding				(41,596)	(41,596)
				<u>25,228,736</u>	<u>22,932,799</u>

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2018

6 Other income

	2018 \$	2017 \$
Symposium income	655,192	548,175
Workshop income	500	46,564
Other income	341,984	173,637
Interest income	100,533	78,589
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	1,098,209	846,965

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, 2019	1,963,336
2020	378,955
2021	373,856
2022	375,627
2023	376,888
Thereafter	439,703

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 \$1,588,069 (2017 - \$1,398,456) which represents the Organization's required current contributions to the plan for the year.

Canadian Agency for Drugs and Technologies in Health

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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 contingencies up to \$1M and operating contingencies to cover operating expenses for up to 6 months.

11 Government remittances

Government remittances (sales taxes) of \$57,742 (2017 - \$nil) 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, 2018

	Health Technology Assessment \$	Optimal Use \$	Health Technology Management Strategy \$	Common Drug Review \$	Pan- Canadian Oncology Drug Review \$	Corporate & Evaluation \$	Other Services \$	Total \$
Revenue								
Grant and service revenue	9,285,268	6,424,806	2,000,000	5,117,978	2,356,576	44,108	-	25,228,736
Industry fees	-	-	-	2,265,600	1,515,600	-	259,250	4,040,450
Other	337,371	327,846	-	-	69,702	363,290	186,177	1,284,386
	9,622,639	6,752,652	2,000,000	7,383,578	3,941,878	407,398	445,427	30,553,572
Expense								
Salaries and benefits	6,493,836	3,248,037	1,430,215	4,141,644	1,902,564	2,377,471	319,965	19,913,732
Professional fees	686,945	398,849	93,659	905,754	811,826	559,037	46,603	3,502,673
Insurance	27,829	18,953	5,573	19,953	9,204	13,277	700	95,489
Occupancy costs	618,718	440,152	157,076	398,167	252,386	335,740	11,109	2,213,348
Communication and publication	199,560	124,915	9,488	141,176	23,810	94,574	958	594,481
Library	121,698	66,542	2,500	64,208	14,055	-	1,331	270,334
Memberships and professional development	168,301	96,926	8,970	71,780	11,289	77,050	1,991	436,307
Facilities, computers and office	438,764	363,982	45,621	176,927	233,752	114,111	6,208	1,379,365
Travel	381,713	306,091	4,968	300,642	166,630	206,912	10,110	1,377,066
Recruitment	43,517	29,862	8,011	28,067	3,248	25,458	774	138,937
Miscellaneous	-	-	-	-	-	11,553	-	11,553
Amortization	111,629	77,765	22,347	74,797	91,767	58,052	2,111	438,468
Corporate support	1,299,775	617,225	211,572	920,952	473,903	(3,566,994)	43,567	-
	10,592,285	5,789,299	2,000,000	7,244,067	3,994,434	306,241	445,427	30,371,753
Net revenue (expense) for the year	(969,646)	963,353	-	139,511	(52,556)	101,157	-	181,819