

Canadian Agency for Drugs and Technologies in Health

Financial Statements
March 31, 2016



June 22, 2016

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, 2016 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.

PricewaterhouseCoopers LLP
99 Bank Street, Suite 800, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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, 2016 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

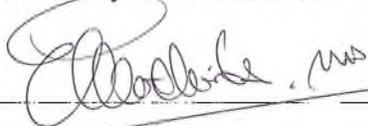
Statement of Financial Position

As at March 31, 2016

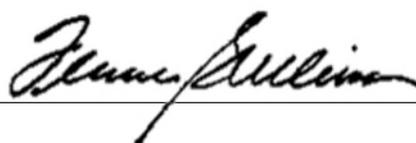
	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents	4,110,234	6,892,366
Investments (note 3)	2,653,384	1,297,696
Accounts receivable	542,220	762,317
Prepaid expenses	507,618	624,568
	<u>7,813,456</u>	<u>9,576,947</u>
Capital assets (note 4)	892,887	985,007
	<u>8,706,343</u>	<u>10,561,954</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	2,227,374	2,921,938
Grants payable	16,788	525,996
Deferred revenue	1,586,713	1,442,232
	<u>3,830,875</u>	<u>4,890,166</u>
Deferred contributions related to capital assets	646,079	673,336
Deferred leasehold inducement	287,899	388,660
	<u>4,764,853</u>	<u>5,952,162</u>
Net assets		
Unrestricted	100,000	1,491,875
Internally restricted - pCODR	674,708	1,054,133
Internally restricted - other (note 10)	3,166,782	2,063,784
	<u>3,941,490</u>	<u>4,609,792</u>
	<u>8,706,343</u>	<u>10,561,954</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, 2016

	Balance - Beginning of year \$	Net expense for the year \$	Transfers from (to) \$	Balance - End of year \$
Unrestricted	1,491,875	(668,302)	(723,573)	100,000
Internally restricted - pCODR	1,054,133	-	(379,425)	674,708
Internally restricted - other (note 10)	2,063,784	-	1,102,998	3,166,782
	<hr/>			
	4,609,792	(668,302)	-	3,941,490
	<hr/>	<hr/>	<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, 2016

	Budget	2016	2015
	\$	Actual	Actual
	(unaudited)	\$	\$
Revenue			
Grants and service revenue (note 5)	22,941,314	23,297,392	23,067,239
Other service revenue	309,594	211,247	406,560
Interest and other income (note 6)	570,000	620,682	672,182
Industry fees	3,455,564	3,512,600	502,200
	<u>27,276,472</u>	<u>27,641,921</u>	<u>24,648,181</u>
Expense			
Salaries and benefits	18,107,058	18,437,757	15,828,893
Professional fees	3,231,843	3,845,634	4,289,268
Occupancy costs	2,042,101	1,989,549	2,054,296
Facilities, computers and office	1,255,659	1,158,638	1,388,331
Travel	1,114,231	1,150,840	1,065,177
Other	1,525,580	1,727,805	1,731,772
	<u>27,276,472</u>	<u>28,310,223</u>	<u>26,357,737</u>
Net expense for the year	<u>-</u>	<u>(668,302)</u>	<u>(1,709,556)</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, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Net expense for the year	(668,302)	(1,709,556)
Items not affecting cash -		
Amortization of capital assets	405,147	348,322
Amortization of deferred contributions related to capital assets	(340,281)	(239,823)
Amortization of leasehold inducement	(100,761)	(101,613)
Net change in non-cash working capital items	(722,244)	2,708,162
	<u>(1,426,441)</u>	<u>1,005,492</u>
Investing activities		
Purchase of investments	(1,809,204)	-
Proceeds from investments	453,516	731,318
Purchase of capital assets	(313,027)	(616,228)
	<u>(1,668,715)</u>	<u>115,090</u>
Financing activity		
Contributions received to purchase capital assets	313,024	616,228
	<u>313,024</u>	<u>616,228</u>
Cash received from the assumption of the governance of the pan-Canadian Oncology Drug Review	<u>-</u>	<u>1,788,119</u>
Net change in cash and cash equivalents for the year	<u>(2,782,132)</u>	<u>3,524,929</u>
Cash and cash equivalents - Beginning of year	<u>6,892,366</u>	<u>3,367,437</u>
Cash and cash equivalents - End of year	<u>4,110,234</u>	<u>6,892,366</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, 2016

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, 2016

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

	2016 \$	2015 \$
Guaranteed investment certificates	1,342,689	230,378
Government notes	1,109,721	671,252
Investment savings account	200,974	396,066
	<hr/> 2,653,384	<hr/> 1,297,696

Guaranteed investment certificates bear fixed interest rates ranging from 1.75% to 2.20% and mature between 2017 and 2020 (2015 - 1.70% to 2.20% and mature between 2015 and 2017).

Government notes bear fixed interest rates ranging from 1.50% to 5.50% and mature between 2016 and 2021 (2015 - 1.50% to 4.30% and mature between 2016 and 2018).

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2016

4 Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	1,245,470	1,022,313	223,157	353,158
Furniture and equipment	1,543,415	1,379,418	163,997	126,200
Library	492,285	396,987	95,298	77,897
Software	673,005	629,973	43,032	82,056
Leasehold improvements	1,366,854	1,043,140	323,714	345,696
Assets under development	43,689	-	43,689	-
	5,364,718	4,471,831	892,887	985,007

Cost and accumulated amortization amounted to \$5,051,689 and \$4,066,682 respectively at March 31, 2015.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2016

5 Grants and service revenue

				2016	2015
	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	14,419,085	1,639,684	-	16,058,769	16,058,769
	15,809,275	5,199,039	1,973,000	22,981,314	22,981,314
Less: Contributions received during the year to purchase capital assets				(313,024)	(616,228)
Add: Deferred contributions related to capital assets amortized to revenue				340,281	239,823
Health Canada funding deferred to 2014/15				-	1,280,000
Health Canada funding deferred to 2015/16				300,000	(300,000)
Grants repayable				(16,788)	(517,670)
Add: Provincial/territorial 2% additional funding				41,596	41,596
Less: Deferred provincial/territorial additional funding				(35,987)	(41,596)
				<u>23,297,392</u>	<u>23,067,239</u>

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2016

6 Interest and other income

	2016	2015
	\$	\$
Symposium income	478,880	460,746
Workshop income	-	30,000
Rental and other income	74,998	66,486
Interest income	66,804	114,950
	<hr/>	<hr/>
	620,682	672,182

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, 2017	2,120,746
2018	2,144,696
2019	1,828,072
2020	244,952
2021	141,068

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, 2015, the plan was fully funded with a surplus of \$11.0 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 \$1,378,456 (2015 - \$1,155,941) 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

March 31, 2016

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 \$201,910 (2015 - \$116,123) 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, 2016

	Health Technology Assessment \$	Common Drug Review \$	Pan-Canadian Oncology Drug Review \$	Optimal Use \$	Corporate & Evaluation \$	Other services \$	Total \$
Revenue							
Grant and service revenue	8,748,798	5,182,251	2,030,804	7,066,086	269,453	-	23,297,392
Industry fees	-	2,302,400	1,045,200	-	-	165,000	3,512,600
Other	239,545	-	-	239,440	141,697	211,247	831,929
	8,988,343	7,484,651	3,076,004	7,305,526	411,150	376,247	27,641,921
Expense							
Salaries and benefits	6,278,687	4,248,387	1,521,247	3,418,820	2,590,772	379,844	18,437,757
Professional fees	643,266	989,858	820,854	910,262	330,885	150,509	3,845,634
Insurance	22,214	14,712	5,130	10,480	8,800	1,648	62,984
Occupancy costs	703,830	462,618	161,698	334,848	276,718	49,837	1,989,549
Communication and publication	211,801	177,768	12,354	184,311	58,058	706	644,998
Library	121,215	32,255	117	74,001	-	-	227,588
Memberships and professional development	127,262	66,368	12,943	79,441	40,485	3,421	329,920
Facilities, computers and office	368,597	187,380	225,384	235,496	123,838	17,943	1,158,638
Travel	348,405	205,048	179,967	261,699	143,061	12,660	1,150,840
Recruitment	14,525	9,621	698	6,853	5,754	1,036	38,487
Miscellaneous	-	-	-	-	18,681	-	18,681
Amortization	110,440	73,142	117,836	52,100	43,750	7,879	405,147
Other services	72,568	112,247	-	157,971	-	(342,786)	-
Corporate support	1,165,448	845,228	397,201	728,225	(3,229,652)	93,550	-
	10,188,258	7,424,632	3,455,429	6,454,507	411,150	376,247	28,310,223
Net revenue (expense) for the year	(1,199,915)	60,019	(379,425)	851,019	-	-	(668,302)