

Canadian Agency for Drugs and Technologies in Health

Financial Statements
March 31, 2020



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Agency for Drugs and Technology in Health (the Organization) as at March 31, 2020 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2020;
 - the statement of changes in net assets for the year then ended;
 - the statement of operations for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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



In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 17, 2020

Canadian Agency for Drugs and Technologies in Health

Statement of Financial Position

As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash and cash equivalents	4,909,819	5,831,269
Investments (note 3)	1,725,326	1,686,710
Accounts receivable	1,115,158	559,515
Prepaid expenses	965,168	735,575
	<u>8,715,471</u>	<u>8,813,069</u>
Long-term investments (note 3)	1,095,000	1,090,000
Capital assets (note 4)	<u>3,407,870</u>	<u>629,327</u>
	<u><u>13,218,341</u></u>	<u><u>10,532,396</u></u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	4,270,993	2,979,619
Grants payable	589,050	39,556
Deferred revenue	836,780	2,229,231
	<u>5,696,823</u>	<u>5,248,406</u>
Deferred contributions related to capital assets	1,887,511	632,948
Deferred lease inducement	<u>1,549,100</u>	<u>-</u>
	<u>9,133,434</u>	<u>5,881,354</u>
Net Assets		
Unrestricted	100,000	100,000
Internally restricted (note 10)	3,984,907	4,551,042
	<u>4,084,907</u>	<u>4,651,042</u>
	<u><u>13,218,341</u></u>	<u><u>10,532,396</u></u>

Commitments (note 7)

Approved by the Board of Directors

M. Wyatt

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, 2020

	Balance – Beginning of year \$	Net expense for the year \$	Transfers from (to) \$	Balance – End of year \$
Unrestricted	100,000	(566,135)	566,135	100,000
Internally restricted (note 10)	4,551,042	-	(566,135)	3,984,907
	<hr/> 4,651,042	<hr/> (566,135)	<hr/> -	<hr/> 4,084,907

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, 2020

	2020	2019	
	Budget \$ (Unaudited)	Actual \$	Actual \$
Revenue			
Grants and service revenue (note 5)	29,681,314	28,937,653	27,006,047
Industry fees	5,263,000	5,396,409	4,927,078
Other income (note 6)	1,155,000	1,481,205	1,065,603
	36,099,314	35,815,267	32,998,728
Expense			
Salaries and benefits	23,345,156	24,389,156	22,118,409
Professional fees	5,378,700	4,354,800	4,101,805
Occupancy costs	2,480,000	2,835,326	2,254,836
Facilities, computers and office	1,403,158	1,729,022	1,463,449
Travel	1,431,600	1,432,035	1,228,728
Other	2,060,700	1,641,063	1,769,200
	36,099,314	36,381,402	32,936,427
Net revenue (expense) for the year	-	(566,135)	62,301

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, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expense) for the year	(566,135)	62,301
Items not affecting cash		
Amortization of capital assets and leasehold improvements	383,395	421,460
Amortization of deferred contributions related to capital assets	(358,275)	(349,716)
Amortization of leasehold inducement	-	(84,675)
Changes in non-cash working capital items		
Accounts receivable	100,360	28,825
Prepaid expenses	(229,593)	(127,892)
Accounts payable and accrued liabilities	1,100,469	649,649
Grants repayable	549,494	-
Deferred revenue	(1,201,546)	619,408
	<u>(221,831)</u>	<u>1,219,360</u>
Investing activities		
Purchase of investments	(560,786)	(673,826)
Proceeds from investments	517,170	627,065
Purchase of capital assets	(3,161,938)	(225,037)
	<u>(3,205,554)</u>	<u>(271,798)</u>
Financing activity		
Contributions received from landlord for purchase of capital assets	893,097	-
Contributions received to purchase capital assets	1,612,838	225,037
	<u>2,505,935</u>	<u>225,037</u>
Change in cash and cash equivalents during the year	(921,450)	1,172,599
Cash and cash equivalents – Beginning of year	<u>5,831,269</u>	<u>4,658,670</u>
Cash and cash equivalents – End of year	<u>4,909,819</u>	<u>5,831,269</u>
Supplemental non-cash information		
Leasehold inducement	1,549,100	-
Leasehold inducement included in accounts receivable	(656,003)	-

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, 2020

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

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Organization's significant accounting policies are as follows.

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 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%

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2020

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

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

Grants payable

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

Lease inducements

Inducements received on signing or renewal of a lease are deferred and amortized on a straight-line basis over the term of the lease.

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.

Industry fees are recognized as the service is delivered over the contract period on a straight-line basis. Amounts billed or received in accordance with customer contracts but that do not yet satisfy revenue recognition criteria are recorded as deferred revenue.

3 Investments

Short-term investments

	2020 \$	2019 \$
Guaranteed investment certificates	1,360,589	1,365,011
Government notes	221,290	246,242
Investment savings account	143,447	75,457
	<u>1,725,326</u>	<u>1,686,710</u>

Guaranteed investment certificates bear interest at fixed rates ranging from 1.8% to 2.8% and mature between 2020 and 2024 (2019 – 1.8% to 2.8% and mature between 2019 and 2023).

Government notes bear interest at a fixed rate of 4.5% and mature in 2020 (2019 – 4.1% to 4.4% and mature in 2019).

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2020

Long-term investments

	2020 \$	2019 \$
Government notes	1,095,000	1,090,000

Government notes bear interest at a fixed rate of 1.55% to 4.25% and mature between 2021 and 2024 (2019 – 3.1% to 4.5% and mature between 2020 and 2024).

4 Capital assets

	2020			2019
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer equipment	2,000,494	1,753,415	247,079	287,624
Furniture and equipment	2,051,004	1,633,038	417,966	116,779
Library	660,062	569,444	90,618	137,412
Software	749,901	712,240	37,661	6,389
Leasehold improvements	2,010,546	141,720	1,868,826	81,123
Assets under development	745,720	-	745,720	-
	8,217,727	4,809,857	3,407,870	629,327

Cost and accumulated amortization amounted to \$6,375,396 and \$5,746,069, respectively, as at March 31, 2019.

5 Grants and service revenue

				2020	2019
	Health Technology Assessment/ Optimal Use \$	Common Drug Review \$	Pan- Canadian Oncology Drug Review \$	Total \$	Total \$
Alberta	342,804	460,750	328,833	1,132,387	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
Nova Scotia	118,149	141,748	106,871	366,768	366,769
Nunavut	2,517	4,241	-	6,758	6,758
Ontario	350,000	1,785,496	328,833	2,464,329	2,464,329
Prince Edward Island	18,542	20,826	50,969	90,337	90,337

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2020

				2020	2019
	Health Technology Assessment/ Optimal Use \$	Common Drug Review \$	Pan- Canadian Oncology Drug Review \$	Total \$	Total \$
Saskatchewan	125,479	152,740	328,833	607,052	607,052
Yukon Territory	3,881	4,496	-	8,377	8,377
Federal government	21,090,252	1,639,684	328,833	23,058,769	20,058,769
	<u>22,830,442</u>	<u>5,199,040</u>	<u>2,301,832</u>	30,331,314	27,331,314
Less: Contributions received to purchase capital assets				(1,612,838)	(225,037)
Add: Amortization of deferred contributions related to capital assets				358,274	349,723
Health Canada funding (deferred) recognized				449,953	(449,953)
Grants payable				(589,050)	-
Add: Provincial/territorial 2% additional funding				41,596	41,596
Less: Deferred provincial/territorial additional funding				(41,596)	(41,596)
				<u>28,937,653</u>	<u>27,006,047</u>

6 Other income

	2020 \$	2019 \$
Symposium income	710,095	678,558
Other income	576,919	209,929
Interest income	194,191	177,116
	<u>1,481,205</u>	<u>1,065,603</u>

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2020

7 Commitments

Under the terms of operating leases for office space, computers and professional services, the Organization is committed to the following minimum lease payments:

	\$
Year ending March 31, 2021	3,234,859
2022	2,626,437
2023	2,556,558
2024	2,618,791
2025	2,199,035
Thereafter	21,825,452

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 multi-employer 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, 2017, the plan was fully funded with a surplus of \$13 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 \$1,934,004 (2019 – \$1,736,669), which represents the Organization's required current contributions to the plan for the year.

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 \$1 million and operating contingencies to cover operating expenses for up to six months.

11 Government remittances

Government remittances (sales taxes) of \$nil (2019 – \$nil) are included in accounts payable and accrued liabilities.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

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12 Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations. The Organization does not use derivative financial instruments to manage its risks.

Investment risk

Investment in financial instruments renders the Organization subject to investment risks. Interest risk is the risk arising from fluctuations in interest rates and their degree of volatility. The Organization's exposure to interest rate risk arises from its investment described in note 3.

Concentration of risk

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political and other conditions. The Organization's investments are described in note 3.

Credit risk

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

62% of revenue was provided by one member (2019 – 61% owing from one member).

13 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

14 Subsequent event

The Organization is assessing the impact of the COVID-19 pandemic on its operations. The Organization does not expect significant disruption. Given the unprecedented nature of this event, it is difficult to predict the length or breadth of this disruption on operations.

Canadian Agency for Drugs and Technologies in Health

Schedule of Operations by Program

(Unaudited)

For the year ended March 31, 2020

	Health Technology Assessment \$	Optimal Use \$	Common Drug Review \$	Pan- Canadian Oncology Drug Review \$	Corporate & Evaluation \$	Other Services \$	Total \$
Revenue							
Grant and service revenue	14,215,253	7,359,813	5,591,571	2,475,627	(804,610)	99,999	28,937,653
Industry fees	-	-	2,665,595	1,968,315	-	762,499	5,396,409
Other	601,787	355,047	-	-	418,621	105,750	1,481,205
	<u>14,817,040</u>	<u>7,714,860</u>	<u>8,257,166</u>	<u>4,443,942</u>	<u>(385,989)</u>	<u>968,248</u>	<u>35,815,267</u>
Expense							
Salaries and benefits	8,536,524	3,395,171	4,760,229	2,748,136	4,437,327	511,769	24,389,156
Professional fees	986,804	790,299	842,312	1,050,789	590,929	93,667	4,354,800
Insurance	40,357	17,890	22,739	10,100	13,094	1,290	105,470
Occupancy costs	1,086,539	517,044	587,605	290,707	321,235	32,196	2,835,326
Communication and publication	121,973	62,151	110,626	29,665	28,464	1,626	354,505
Library	114,633	114,619	57,517	4,280	-	-	291,049
Memberships and professional development	117,810	88,910	65,343	12,731	72,597	5,656	363,047
Facilities, computers and office	701,268	445,526	316,942	149,638	74,745	40,903	1,729,022
Travel	285,978	348,572	276,621	197,990	270,455	52,419	1,432,035
Recruitment	52,629	23,379	28,867	4,298	17,512	1,655	128,340
Miscellaneous	-	-	-	-	15,258	-	15,258
Amortization	137,736	60,543	81,976	58,258	40,520	4,361	383,394
Corporate support	2,730,960	1,620,343	1,140,492	553,624	(6,268,125)	222,706	-
	<u>14,913,211</u>	<u>7,484,447</u>	<u>8,291,269</u>	<u>5,110,216</u>	<u>(385,989)</u>	<u>968,248</u>	<u>36,381,402</u>
Net revenue (expense) for the year	<u>(96,171)</u>	<u>230,413</u>	<u>(34,103)</u>	<u>(666,274)</u>	<u>-</u>	<u>-</u>	<u>(566,135)</u>