

Financial Statements of

**CANADIAN AGENCY FOR  
DRUGS AND TECHNOLOGIES  
IN HEALTH**

Year ended March 31, 2022

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

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Year ended March 31, 2022

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the financial statements of Canadian Agency for Drugs and Technologies in Health (the "Organization"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and its results of operations, its changes in 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Organization 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.

### ***Other Matter – Comparative Information***

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 21, 2021.



### ***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 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.

### ***Auditors' 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 auditors' 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 the 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.



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- 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 auditors' 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 auditors' 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.
- 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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 16, 2022

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

## Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 14,361,011	\$ 9,946,198
Investments (note 3)	1,728,588	1,687,680
Accounts receivable	827,391	905,343
Prepaid expenses	1,053,546	677,474
	<u>17,970,536</u>	<u>13,216,695</u>
Long-term investments (note 3)	1,177,000	628,000
Capital assets (note 4)	6,260,827	4,970,615
	<u>\$ 25,408,363</u>	<u>\$ 18,815,310</u>


## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 8 and 11)	\$ 5,590,134	\$ 5,949,701
Grants payable	1,100,379	1,977,167
Deferred revenue	7,252,296	1,514,577
	<u>13,942,809</u>	<u>9,441,445</u>
Deferred contributions related to capital assets	3,322,569	2,793,003
Deferred lease inducement	2,941,876	2,206,352
	<u>20,207,254</u>	<u>14,440,800</u>
Net assets:		
Unrestricted	100,000	100,000
Internally restricted (note 10)	5,101,109	4,274,510
	<u>5,201,109</u>	<u>4,374,510</u>
Commitments (note 7)		
	<u>\$ 25,408,363</u>	<u>\$ 18,815,310</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Administrator

  
\_\_\_\_\_  
Administrator

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

## Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	Budget (Unaudited)	2022	2021
<b>Revenue:</b>			
Grants and service revenue (note 5)	\$ 35,381,315	\$ 30,962,181	\$ 31,037,532
Industry fees	6,140,000	6,535,645	4,564,874
Other (note 6)	409,000	801,501	465,005
	41,930,315	38,299,327	36,067,411
<b>Expenses:</b>			
Salaries and benefits	28,057,829	26,280,159	25,983,899
Professional fees	7,069,043	4,701,156	3,581,731
Occupancy costs	2,500,000	2,835,314	2,811,339
Facilities, computers and office	1,432,584	1,529,569	1,426,183
Travel	687,716	4,475	21,461
Other	2,183,143	2,122,055	1,953,195
	41,930,315	37,472,728	35,777,808
<b>Excess of revenue over expenses</b>	<b>\$ -</b>	<b>\$ 826,599</b>	<b>\$ 289,603</b>

See accompanying notes to financial statements.

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

## Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Unrestricted	Internally restricted	2022	2021
Balance, beginning of year	\$ 100,000	\$ 4,274,510	\$ 4,374,510	\$ 4,084,907
Excess of revenue over expenses	826,599	–	826,599	289,603
Transfers from (to)	(826,599)	826,599	–	–
Balance, end of year	\$ 100,000	\$ 5,101,109	\$ 5,201,109	\$ 4,374,510

See accompanying notes to financial statements.



# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

## Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 826,599	\$ 289,603
Items not affecting cash:		
Amortization of capital assets	749,631	688,290
Amortization of deferred contributions related to capital assets	(526,197)	(534,321)
Amortization of leasehold inducement	(248,555)	(153,969)
Changes in non-cash operating working capital items		
Accounts receivable	77,952	209,815
Prepaid expenses	(376,072)	287,694
Accounts payable and accrued liabilities	(359,567)	1,678,708
Grants payable	(876,788)	1,388,117
Deferred revenue	5,737,719	677,797
	<u>5,004,722</u>	<u>4,531,734</u>
Investing activities:		
Purchase of investments	(1,172,214)	(6,621)
Proceeds from investments	582,306	511,267
Acquisition of capital assets	(2,039,843)	(2,251,035)
	<u>(2,629,751)</u>	<u>(1,746,389)</u>
Financing activities:		
Contributions received from landlord for purchase of capital assets	984,079	811,221
Contributions received to purchase capital assets	1,055,763	1,439,813
	<u>2,039,842</u>	<u>2,251,034</u>
Increase in cash and cash equivalents	4,414,813	5,036,379
Cash and cash equivalents, beginning of year	9,946,198	4,909,819
Cash and cash equivalents, end of year	<u>\$ 14,361,011</u>	<u>\$ 9,946,198</u>

See accompanying notes to financial statements.

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

Notes to Financial Statements

Year ended March 31, 2022

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## 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. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

### (a) 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.

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

## 2. Significant accounting policies (continued):

### (b) 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:

Asset	Rate
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.

Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease. Assets under development will not be amortized until substantially available for use.

### (c) 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.

### (d) Investments:

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

### (e) 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.

### (f) 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.

### (g) 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. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

### 3. Investments:

Short-term investments:

	2022	2021
Guaranteed investment certificates	\$ 1,399,168	\$ 1,056,167
Government notes	279,327	487,683
Investment savings account	50,093	143,830
	<u>\$ 1,728,588</u>	<u>\$ 1,687,680</u>

Guaranteed investment certificates bear interest at fixed rates ranging from 1.4% to 2.8% and mature between 2022 and 2026 (2021 - 1.8% to 2.8% and mature between 2022 and 2025).

Government notes bear interest at fixed rates ranging from 3.1% to 3.5% and mature in 2022 (2021 - 1.55% to 4.25% and mature in 2021).

Long-term investments:

	2022	2021
Government notes	\$ 1,177,000	\$ 628,000

Government notes bear interest at a fixed rate of 2.2% to 4.4% and mature between 2023 and 2026 (2021 - 3.1% to 3.65% and mature between 2023 and 2024).

### 4. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer equipment	\$ 2,402,089	\$ 2,064,356	\$ 337,733	\$ 120,071
Furniture and equipment	2,654,609	1,915,431	739,178	343,881
Library	660,062	636,221	23,841	43,824
Software	760,418	750,736	9,682	19,554
Leasehold improvements	6,031,428	881,035	5,150,393	3,179,395
Assets under development	-	-	-	1,263,890
	<u>\$ 12,508,606</u>	<u>\$ 6,247,779</u>	<u>\$ 6,260,827</u>	<u>\$ 4,970,615</u>

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

## 4. Capital assets (continued):

Cost and accumulated amortization at March 31, 2021 amounted to \$10,468,763 and \$5,498,148, respectively.

## 5. Grants and service revenue:

	Health Technology Assessment/ Optimal Use	CADTH Reimbursement Reviews	2022 Total	2021 Total
Alberta	\$ 342,804	\$ 789,583	\$ 1,132,387	\$ 1,132,387
British Columbia	468,284	944,713	1,412,997	1,412,997
Manitoba	140,140	501,754	641,894	641,894
New Brunswick	95,727	207,560	303,287	303,287
Newfoundland and Labrador	69,854	157,541	227,395	227,395
Northwest Territories	4,813	6,151	10,964	10,964
Nova Scotia	118,149	248,619	366,768	366,768
Nunavut	2,517	4,241	6,758	6,758
Ontario	350,000	2,114,329	2,464,329	2,464,329
Prince Edward Island	18,542	71,795	90,337	90,337
Saskatchewan	125,479	481,573	607,052	607,052
Yukon Territory	3,881	4,496	8,377	8,377
Federal government	27,090,252	1,968,517	29,058,769	26,058,769
	28,830,442	7,500,872	36,331,314	33,331,314
Less: Contributions received to purchase capital assets			(1,055,763)	(1,439,986)
Add: Amortization of deferred contributions related to capital assets			526,197	534,321
Health Canada funding recognized from the previous fiscal year			1,977,167	589,050
Health Canada funding deferred to FY22/23			(6,168,300)	—
Grants payable			(1,100,379)	(1,977,167)
Add: Provincial/territorial 2% additional funding			41,596	41,596
Less: Deferred provincial/territorial additional funding			(41,596)	(41,596)
Add: Cumulative Provincial/territorial 2% additional funding recognized			451,945	—
			\$30,962,181	\$31,037,532

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## 6. Other income:

	2022	2021
Symposium income	\$ 240,358	\$ –
Other income	444,250	380,095
Interest income	116,893	84,910
	<u>\$ 801,501</u>	<u>\$ 465,005</u>

## 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:

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2023	\$ 3,195,432
2024	3,158,317
2025	2,719,211
2026	2,606,445
2027	2,596,397
Thereafter	21,556,930
	<u>\$ 35,832,732</u>

## 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 (2021 - \$408,062) are not recorded in these financial statements. Included in accounts payable and accrued liabilities is \$204,031 (2021 - \$204,031) held in trust for the program.

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## 9. Employee benefits:

The Organization participates in a multi-employer defined benefit plan providing pension benefits administered by the Healthcare 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 the HOOPP indicate that, as at December 31, 2020, the plan was fully funded with a surplus of \$14.6 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 \$2,032,750 (2021 - \$1,964,653), 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 \$33,429 (2021 - \$164,067) are included in accounts payable and accrued liabilities.

## 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.

### (a) Investment risk:

Investment in financial instruments renders the Organization subject to investment risks. Interest rate 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 investments described in note 3.

# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## 12. Financial instruments (continued):

(b) 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.

(c) 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.

61% of revenue was provided by the Federal Government (2021 - 66%).

## 13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.



# CANADIAN AGENCY FOR DRUGS AND TECHNOLOGIES IN HEALTH

Schedule of Operations by Program  
(Unaudited)  
For the year ended March 31, 2022

	Health Technology Assessment	Optimal Use	CADTH Reimbursement Reviews	Corporate and Evaluation	Other Services	Total
<b>Revenue</b>						
Grant and service revenue	\$ 15,692,904	\$ 5,984,411	\$ 7,923,571	\$ 1,261,295	\$ 100,000	\$ 30,962,181
Industry fees	-	-	5,912,132	-	623,513	6,535,645
Other	155,754	120,179	-	219,856	305,712	801,501
	15,848,658	6,104,590	13,835,703	1,481,151	1,029,225	38,299,327
<b>Expenses</b>						
Salaries and benefits	9,336,138	2,905,184	7,806,231	4,466,467	1,766,139	26,280,159
Professional fees	640,746	297,786	1,998,051	1,384,002	380,571	4,701,156
Insurance	28,347	11,490	16,055	12,916	2,052	70,860
Occupancy costs	1,111,973	509,913	559,311	590,004	64,113	2,835,314
Communication and publication	140,002	68,968	319,401	576	15,165	544,112
Library	120,594	119,797	65,644	-	-	306,035
Memberships and professional development	100,449	60,542	37,793	96,853	10,385	306,022
Facilities, computers and office	639,264	285,966	271,666	296,232	36,441	1,529,569
Travel	4,974	3,497	1,919	(5,813)	(102)	4,475
Recruitment	51,520	20,713	22,037	27,953	3,068	125,291
Miscellaneous	-	-	-	20,104	-	20,104
Amortization	347,845	141,475	198,480	39,068	22,763	749,631
Corporate support	3,004,750	1,473,730	2,357,829	(5,564,939)	(1,271,370)	-
	15,526,602	5,899,061	13,654,417	1,363,423	1,029,225	37,472,728
<b>Excess of revenue over expenses</b>	<b>\$ 322,056</b>	<b>\$ 205,529</b>	<b>\$ 181,286</b>	<b>\$ 117,728</b>	<b>\$ -</b>	<b>\$ 826,599</b>