

Canadian Agency for Drugs and Technologies in Health

Financial Statements
March 31, 2019



Independent auditor's report

To the Members of Canadian Agency for Drugs and Technologies 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 Technologies in Health (the Organization) as at March 31, 2019 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, 2019;
 - 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.
-

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.

PricewaterhouseCoopers LLP
99 Bank Street, Suite 710, 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.



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 12, 2019



Canadian Agency for Drugs and Technologies in Health

Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents	5,831,269	4,658,670
Investments (note 3)	2,776,710	2,729,949
Accounts receivable	559,515	588,340
Prepaid expenses	735,575	607,683
	<u>9,903,069</u>	<u>8,584,642</u>
Capital assets (note 4)	<u>629,327</u>	<u>825,750</u>
	<u>10,532,396</u>	<u>9,410,392</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	2,979,619	2,329,970
Grants payable	39,556	39,556
Deferred revenue	2,229,231	1,609,823
	<u>5,248,406</u>	<u>3,979,349</u>
Deferred contributions related to capital assets	632,948	757,627
Deferred lease inducement	-	84,675
	<u>5,881,354</u>	<u>4,821,651</u>
Net assets		
Unrestricted	100,000	100,000
Internally restricted (note 10)	4,551,042	4,488,741
	<u>4,651,042</u>	<u>4,588,741</u>
	<u>10,532,396</u>	<u>9,410,392</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, 2019

	Balance – Beginning of year \$	Net revenue for the year \$	Transfers from (to) \$	Balance – End of year \$
Unrestricted	100,000	62,301	(62,301)	100,000
Internally restricted (note 10)	4,488,741	-	62,301	4,551,042
	<u>4,588,741</u>	<u>62,301</u>	<u>-</u>	<u>4,651,042</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, 2019

	<u>2019</u>	<u>2018</u>	
	Budget \$ (unaudited)	Actual \$	Actual \$
Revenue			
Grants and service revenue (note 5)	27,441,314	27,006,047	25,228,736
Industry fees	4,162,500	4,927,078	4,040,450
Other income (note 6)	900,000	1,065,603	1,098,209
Other service revenue	-	-	186,177
	<u>32,503,814</u>	<u>32,998,728</u>	<u>30,553,572</u>
Expense			
Salaries and benefits	22,757,064	22,118,409	19,913,732
Professional fees	3,249,200	4,101,805	3,502,673
Occupancy costs	2,365,000	2,254,836	2,213,348
Facilities, computers and office	1,397,844	1,463,449	1,379,365
Travel	1,024,704	1,228,728	1,377,066
Other	1,710,002	1,769,200	1,985,569
	<u>32,503,814</u>	<u>32,936,427</u>	<u>30,371,753</u>
Net revenue for the year	<u>-</u>	<u>62,301</u>	<u>181,819</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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Net revenue for the year	62,301	181,819
Items not affecting cash		
Amortization of capital assets	421,460	438,469
Amortization of deferred contributions related to capital assets	(349,716)	(333,277)
Amortization of leasehold inducement	(84,675)	(101,612)
Net change in non-cash working capital items	1,169,990	(351,341)
	<u>1,219,360</u>	<u>(165,942)</u>
Investing activities		
Purchase of investments	(673,826)	(1,035,656)
Proceeds from investments	627,065	734,983
Purchase of capital assets	(225,037)	(498,489)
	<u>(271,798)</u>	<u>(799,162)</u>
Financing activity		
Contributions received to purchase capital assets	<u>225,037</u>	<u>484,016</u>
Net change in cash and cash equivalents for the year	1,172,599	(481,088)
Cash and cash equivalents – Beginning of year	<u>4,658,670</u>	<u>5,139,758</u>
Cash and cash equivalents – End of year	<u>5,831,269</u>	<u>4,658,670</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, 2019

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 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, 2019

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 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

	2019 \$	2018 \$
Guaranteed investment certificates	1,365,011	1,369,433
Government notes	1,336,242	1,335,181
Investment savings account	75,457	25,335
	<hr/> 2,776,710	<hr/> 2,729,949

Guaranteed investment certificates bear interest at fixed rates ranging from 1.8% to 2.8% and mature between 2019 and 2023 (2018 – 1.8% to 2.5% and mature between 2018 and 2022).

Government notes bear interest at fixed rates ranging from 3.1% to 4.5% and mature between 2019 and 2024 (2018 – 3.1% to 5.5% and mature between 2018 and 2022).

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2019

4 Capital assets

			2019	2018
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Computer equipment	1,860,581	1,572,957	287,624	313,533
Furniture and equipment	1,659,163	1,542,384	116,779	170,596
Library	660,062	522,650	137,412	124,029
Software	699,686	693,297	6,389	19,663
Leasehold improvements	1,495,904	1,414,781	81,123	197,929
	<u>6,375,396</u>	<u>5,746,069</u>	<u>629,327</u>	<u>825,750</u>

Cost and accumulated amortization amounted to \$6,150,362 and \$5,324,612 respectively at March 31, 2018.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2019

5 Grants and service revenue

				2019	2018
	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	2,464,329
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	18,090,251	1,639,684	328,834	20,058,769	18,058,769
	<u>19,830,441</u>	<u>5,199,039</u>	<u>2,301,834</u>	<u>27,331,314</u>	<u>25,331,314</u>
Less: Contributions received to purchase capital assets				(225,037)	(498,489)
Add: Amortization of deferred contributions related to capital assets				349,723	347,761
Health Canada funding (deferred) recognized				(449,953)	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>27,006,047</u>	<u>25,228,736</u>

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2019

6 Other income

	2019 \$	2018 \$
Symposium income	678,558	655,192
Other income	209,929	342,484
Interest income	177,116	100,533
	<hr/>	<hr/>
	1,065,603	1,098,209

7 Commitments

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

	\$
Year ending March 31, 2020	2,347,093
2021	2,542,641
2022	2,593,302
2023	2,556,558
2024	2,618,791
thereafter	24,024,487

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, 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 \$1,736,669 (2018 – \$1,588,069), 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, 2019

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 \$nil (2018 – \$57,742) 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, 2019

	Health Technology Assessment \$	Optimal Use \$	Common Drug Review \$	Pan- Canadian Oncology Drug Review \$	Corporate & Evaluation \$	Other Services \$	Total \$
Revenue							
Grant and service revenue	12,118,283	7,162,213	5,199,038	2,322,952	103,563	99,998	27,006,047
Industry fees	-	-	2,400,755	1,879,323	-	647,000	4,927,078
Other	339,279	339,279	-	-	387,045	-	1,065,603
	<u>12,457,562</u>	<u>7,501,492</u>	<u>7,599,793</u>	<u>4,202,275</u>	<u>490,608</u>	<u>746,998</u>	<u>32,998,728</u>
Expense							
Salaries and benefits	7,658,781	4,196,067	4,339,338	2,260,689	3,290,577	372,957	22,118,409
Professional fees	770,869	641,985	922,640	849,603	858,335	58,373	4,101,805
Insurance	40,729	18,055	22,948	10,193	13,215	1,303	106,443
Occupancy costs	855,246	415,704	458,091	261,386	239,565	24,844	2,254,836
Communication and publication	107,191	112,335	147,657	60,937	90,384	1,889	520,393
Library	120,789	120,439	63,028	374	-	-	304,630
Memberships and professional development	114,514	91,866	63,653	13,818	48,926	3,529	336,306
Facilities, computers and office	625,043	394,483	291,368	130,665	5,605	16,285	1,463,449
Travel	287,998	374,138	195,304	136,666	208,031	26,591	1,228,728
Recruitment	25,819	11,469	14,162	2,109	8,556	812	62,927
Miscellaneous	-	-	-	-	17,044	-	17,044
Amortization	150,933	66,344	89,829	63,825	45,747	4,779	421,457
Corporate support	1,703,099	990,122	992,307	414,213	(4,335,377)	235,636	-
	<u>12,461,011</u>	<u>7,433,007</u>	<u>7,600,325</u>	<u>4,204,478</u>	<u>490,608</u>	<u>746,998</u>	<u>32,936,427</u>
Net revenue (expense) for the year	<u>(3,449)</u>	<u>68,485</u>	<u>(532)</u>	<u>(2,203)</u>	<u>-</u>	<u>-</u>	<u>62,301</u>