

Canadian Agency for Drugs and Technologies in Health

Financial Statements
March 31, 2015



June 25, 2015

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, 2015 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.

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"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, 2015 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

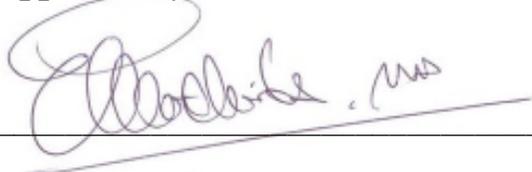
Canadian Agency for Drugs and Technologies in Health

Statement of Financial Position

As at March 31, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents	6,892,366	3,367,437
Investments (note 3)	1,297,696	2,029,014
Accounts receivable	762,317	3,350,337
Prepaid expenses	624,568	502,743
	<u>9,576,947</u>	<u>9,249,531</u>
Capital assets (note 4)	<u>985,007</u>	<u>717,101</u>
	<u>10,561,954</u>	<u>9,966,632</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	2,921,938	1,911,479
Grants payable	525,996	855,125
Deferred revenue	1,442,232	1,881,595
	<u>4,890,166</u>	<u>4,648,199</u>
Deferred contributions related to capital assets	673,336	296,931
Deferred leasehold inducement	388,660	490,273
	<u>5,952,162</u>	<u>5,435,403</u>
Net assets		
Unrestricted	1,491,875	781,303
Unrestricted – pCODR	1,054,133	–
Internally restricted (note 10)	2,063,784	3,749,926
	<u>4,609,792</u>	<u>4,531,229</u>
	<u>10,561,954</u>	<u>9,966,632</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, 2015

	Balance – Beginning of year \$	Transfer of net assets for the Pan-Canadian Oncology Drug Review \$	Net expense for the year \$	Transfers from (to) \$	Balance – End of year \$
Unrestricted	781,303	–	(1,709,556)	2,420,128	1,491,875
Unrestricted - pCODR	–	1,788,119	–	(733,986)	1,054,133
Internally restricted (note 10)	3,749,926	–	–	(1,686,142)	2,063,784
	<u>4,531,229</u>	<u>1,788,119</u>	<u>(1,709,556)</u>	<u>–</u>	<u>4,609,792</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, 2015

	Budget	2015	2014
	\$	Actual	Actual
	(unaudited)	\$	\$
Revenue			
Grants and service revenue (note 5)	22,981,328	23,067,239	19,454,429
Other service revenue	329,594	406,560	187,573
Interest and other income (note 6)	670,000	672,182	481,549
Industry fees	720,000	502,200	–
	24,700,922	24,648,181	20,123,551
Expense			
Salaries and benefits	16,269,406	15,828,893	13,547,675
Professional fees	2,907,284	4,289,268	2,172,252
Occupancy costs	1,977,001	2,054,296	1,884,985
Facilities, computers and office	1,145,702	1,388,331	756,841
Travel	1,130,802	1,065,177	643,512
Other	1,270,727	1,731,772	1,176,649
	24,700,922	26,357,737	20,181,914
Net expense for the year	–	(1,709,556)	(58,363)

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, 2015

	2015 \$	2014 \$
Cash flows provided by (used in)		
Operating activities		
Net expense for the year	(1,709,556)	(58,363)
Items not affecting cash –		
Amortization of capital assets	348,322	245,733
Amortization of deferred contributions related to capital assets	(239,823)	(148,326)
Amortization of leasehold inducement	(101,613)	(101,613)
Net change in non-cash working capital items	2,708,162	(1,164,802)
Surplus funds received from the assumption of the governance of the pan-Canadian Oncology Drug Review	1,788,119	–
	<u>2,793,611</u>	<u>(1,227,371)</u>
Investing activities		
Purchase of investments	–	(1,307,989)
Proceeds from investments	731,318	1,107,630
Purchase of capital assets	(616,228)	(208,993)
	<u>115,090</u>	<u>(409,352)</u>
Financing activity		
Contributions received to purchase capital assets	616,228	208,993
	<u>616,228</u>	<u>208,993</u>
Net change in cash and cash equivalents for the year	3,524,929	(1,427,730)
Cash and cash equivalents – Beginning of year	3,367,437	4,795,167
Cash and cash equivalents – End of year	6,892,366	3,367,437

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, 2015

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.

On April 1, 2014, CADTH assumed responsibility for the pan-Canadian Oncology Drug Review (pCODR). pCODR was established to assess cancer drug therapies and make recommendations to guide drug-funding decisions. pCODR is funded by the provincial and territorial Ministries of Health (excluding Quebec) annually in the amount of \$1,973,000.

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 period. 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 as interest and other income in the statement of operations.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2015

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.

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 rent expense over the term of the lease resulting in a constant rent expense 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.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2015

3 Investments

	2015 \$	2014 \$
Guaranteed investment certificates	230,378	509,499
Government notes	671,252	1,128,247
Investment savings account	396,066	391,268
	<hr/> 1,297,696	<hr/> 2,029,014

Guaranteed investment certificates bear fixed interest rates ranging from 1.7% to 2.2% and mature between 2015 and 2017 (2014 – 1.70% to 2.55% and mature between 2014 and 2017).

Government notes bear fixed interest rates ranging from 1.5% to 4.3% and mature between 2016 and 2018 (2014 – 1.5% to 4.3% and mature between 2014 and 2018).

4 Capital assets

	Cost \$	Accumulated Amortization \$	2015 Net book value \$	2014 Net book value \$
Computer equipment	1,192,420	839,262	353,158	192,857
Furniture and equipment	1,465,880	1,339,680	126,200	20,726
Library	444,129	366,232	77,897	68,727
Software	650,980	568,924	82,056	14,621
Leasehold improvements	1,298,280	952,584	345,696	420,170
	<hr/> 5,051,689	<hr/> 4,066,682	<hr/> 985,007	<hr/> 717,101

Cost and accumulated amortization amounted to \$4,435,461 and \$3,718,360 respectively at March 31, 2014.

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2015

5 Grants and service revenue

				2015	2014
	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	803,553
British Columbia	468,284	615,880	328,833	1,412,997	1,084,164
Manitoba	140,140	172,921	328,833	641,894	313,061
New Brunswick	95,727	113,842	93,718	303,287	209,569
Newfoundland and Labrador	69,854	80,265	77,276	227,395	150,119
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	259,897
Ontario	–	1,785,496	328,833	2,114,329	1,785,496
Prince Edward Island	18,542	20,826	50,969	90,337	39,368
Saskatchewan	125,479	152,740	328,833	607,052	278,219
Yukon Territory	3,881	4,496	–	8,377	8,377
Federal government	14,419,085	1,639,684	–	16,058,769	16,396,848
	<u>15,809,275</u>	<u>5,199,039</u>	<u>1,973,000</u>	22,981,314	21,346,393
Less: Contributions received during the year to purchase capital assets				(616,228)	(208,993)
Add: Deferred contributions related to capital assets amortized to revenue				239,823	148,326
Health Canada funding deferred to 2014/15				1,280,000	(1,280,000)
Health Canada funding deferred to 2015/16				(300,000)	–
Grants repayable				(517,670)	(551,297)
Add: Provincial/territorial 2% additional funding				41,596	41,569
Less: Deferred provincial/territorial additional funding				(41,596)	(41,569)
				<u>23,067,239</u>	<u>19,454,429</u>

Canadian Agency for Drugs and Technologies in Health

Notes to Financial Statements

March 31, 2015

6 Interest and other income

	2015	2014
	\$	\$
Symposium income	460,746	340,911
Workshop income	30,000	36,081
Rental and other income	66,486	29,757
Interest income	114,950	74,800
	<hr/>	<hr/>
	672,182	481,549
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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, 2016	2,100,796
2017	2,002,675
2018	2,035,488
2019	1,718,864
2020	135,744
2021	33,936
	<hr/>
	8,027,503
	<hr/>

8 Additional activities

The Organization is mandated to collect revenue on behalf of the Canada Standards Association Health Care Technology Program. Receipts and corresponding disbursement 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, 2014, the plan was fully funded with a surplus of \$7.0 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 \$1,155,941 (2014 – \$1,054,157) 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

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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 and operating contingencies up to a maximum \$8,037,000.

11 Government remittances

Government remittances (sales and withholding taxes) of \$116,123 (2014 – \$39,040) are included in accounts payable and accrued liabilities.

Canadian Agency for Drugs and Technologies in Health

Schedule – Program Expenses

(Unaudited)

For the year ended March 31, 2015

	Health Technology Assessment \$	Common Drug Review \$	Pan- Canadian Oncology Drug Review \$	Optimal Use \$	Corporate & Evaluation \$	Other services \$	Total \$
Salaries and benefits	5,137,798	3,888,530	1,136,272	3,074,596	2,189,415	402,282	15,828,893
Professional fees	1,203,882	1,071,536	747,268	719,363	455,411	91,808	4,289,268
Insurance	21,174	15,311	4,400	11,334	7,341	2,179	61,739
Occupancy costs	734,929	526,034	93,327	396,861	252,226	50,919	2,054,296
Communication and publication	293,184	202,628	4,033	209,402	36,865	3,462	749,574
Library	103,630	38,264	3,358	87,876	1,609	–	234,737
Memberships and professional development	108,369	23,951	4,917	68,220	19,332	3,327	228,116
Facilities, computers and office	473,150	219,279	264,886	286,676	127,069	17,271	1,388,331
Travel	370,996	179,180	126,210	245,740	143,041	10	1,065,177
Recruitment	65,769	47,557	991	35,208	26,647	4,603	180,775
Miscellaneous	–	–	–	–	15,618	–	15,618
Amortization	76,862	55,578	55,603	41,143	26,647	5,380	261,213
Corporate support	1,513,702	1,104,533	–	912,197	(3,301,221)	(229,211)	–
	10,103,445	7,372,381	2,441,265	6,088,616	–	352,030	26,357,737