

**Health Technology  
Assessment international  
Financial Statements**  
*December 31, 2016*

## Management's Responsibility

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To the Members of Health Technology Assessment international:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Organization's external auditors.

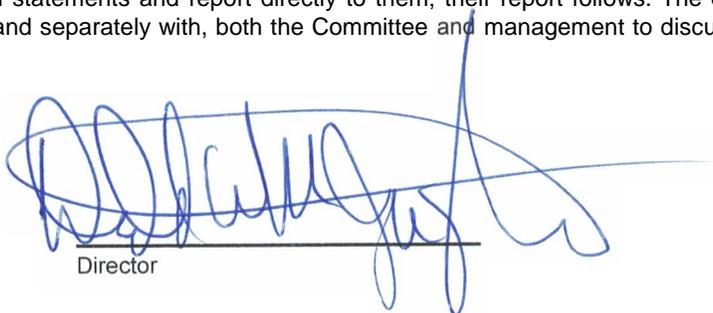
MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

June 17, 2017



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Managing Director



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Director

## Independent Auditors' Report

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To the Members of Health Technology Assessment international:

We have audited the accompanying financial statements of Health Technology Assessment international, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the period then ended, and 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.

### *Auditors' 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 auditors' 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 and fair presentation 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.

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, the financial statements present fairly, in all material respects, the financial position of Health Technology Assessment international as at December 31, 2016 and the results of its operations, changes in net assets and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta

June 17, 2017

*MNP* LLP

Chartered Professional Accountants

# Health Technology Assessment international Statement of Financial Position

As at December 31, 2016

	December 31, 2016	May 31, 2016
<b>Assets</b>		
<b>Current</b>		
Cash (Note 3)	1,577,637	1,113,100
Accounts receivable	137,760	683,181
Prepaid expenses	290,219	1,714
Goods and services tax receivable	10,248	12,197
	<b>2,015,864</b>	<b>1,810,192</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals (Note 4)	210,728	626,863
Deferred revenue	598,143	258,652
	<b>808,871</b>	<b>885,515</b>
<b>Commitments (Note 5)</b>		
<b>Net Assets</b>		
Internally restricted (Note 3)	85,000	85,000
Unrestricted	1,121,993	839,677
	<b>1,206,993</b>	<b>924,677</b>
	<b>2,015,864</b>	<b>1,810,192</b>

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

# Health Technology Assessment international Statement of Operations

*For the period ended December 31, 2016*

	<b>7 Months Ended December 31, 2016</b>	<b>12 Months Ended May 31, 2016</b>
<b>Revenue</b>		
Policy forum	717,431	1,091,127
Memberships	172,028	230,065
Annual meeting hosting fees	42,566	2,786,494
Other income	12,979	-
Interest income	2,322	3,721
	<b>947,326</b>	<b>4,111,407</b>
<b>Secretariat expenditures</b> <i>(Schedule 1)</i>	<b>385,614</b>	<b>557,784</b>
<b>Excess of revenue over expenses before other items</b>	<b>561,712</b>	<b>3,553,623</b>
<b>Other items</b>		
Foreign exchange gain	18,929	33,036
Annual meeting expense	-	(2,313,285)
IJTAHC	-	(14,477)
Awards and grants	(1,617)	(28,923)
Website and promotion	(6,996)	(33,156)
Strategic initiatives	(12,387)	(17,619)
Professional fees and services	(49,853)	(93,196)
Policy forum	(227,472)	(515,320)
	<b>(279,396)</b>	<b>(2,982,940)</b>
<b>Excess of revenue over expenses</b>	<b>282,316</b>	<b>570,683</b>

*The accompanying notes are an integral part of these financial statements*

# Health Technology Assessment international

## Statement of Changes in Net Assets

For the period ended December 31, 2016

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	<i>Externally Restricted</i>	<i>Internally Restricted</i>	<i>Unrestricted</i>	<i>December 31, 2016</i>	<i>May 31, 2016</i>
<b>Net assets, beginning of year</b>	-	85,000	839,677	924,677	353,994
<b>Excess of revenue over expenses</b>	-	-	282,316	282,316	570,683
<b>Net assets, end of year</b>	-	85,000	1,121,993	1,206,993	924,677

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The accompanying notes are an integral part of these financial statements

# Health Technology Assessment international Statement of Cash Flows

For the period ended December 31, 2016

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	<i>7 Months Ended December 31, 2016</i>	<i>12 Months Ended May 31, 2016</i>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash receipts from members	<b>1,826,886</b>	3,102,781
Cash expenditures for projects & administration	<b>(1,364,671)</b>	(2,902,030)
Interest received	<b>2,322</b>	3,721
<b>Increase in cash resources</b>	<b>464,537</b>	204,472
<b>Cash resources, beginning of year</b>	<b>1,113,100</b>	908,628
<b>Cash resources, end of year</b>	<b>1,577,637</b>	1,113,100

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The accompanying notes are an integral part of these financial statements

# Health Technology Assessment international

## Notes to the Financial Statements

For the period ended December 31, 2016

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### 1. Incorporation and nature of the organization

Health Technology Assessment international (the "Organization") was incorporated under the Alberta Societies Act on February 27, 2004 as a not-for-profit organization and is a registered charity under the Income Tax Act. The purpose of the Organization is to support and promote the development, communication, understanding and use of health technology assessment (HTA) globally as a scientifically based means of promoting the introduction of effective innovations and the effective use of resources in health care.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standard Boards in Canada using the following significant accounting policies:

#### **Reporting currency and foreign currency translation**

These financial statements have been presented in Canadian dollars, the principal currency of the Organization's operations.

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess of revenue over expenses for the current period.

#### **Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Membership fees are recognized over the term to which the fees relate. Policy forum and annual meeting hosting fee revenue is recognized in the period in which the related policy forum or annual meeting is held.

#### **Contributed services**

Volunteers contribute several hours per year to assist the Organization in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

#### **Cash and cash equivalents**

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

#### **Financial instruments**

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions (refer to Note 4). At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the period.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenue over expenses.

# Health Technology Assessment international

## Notes to the Financial Statements

For the period ended December 31, 2016

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### 2. Significant accounting policies (Continued from previous page)

#### **Measurement uncertainty**

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 revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

### 3. Restricted cash

Included in cash is \$85,000 (May 31, 2016 - \$85,000) of internally restricted funds. These restrictions are set by the Board of Directors.

### 4. Related party transactions

The Institute of Health Economics ("IHE") is a member of the Organization and operates the Secretariat for the Organization. The Board of Directors of the Organization entered into a three year agreement in December 2016, whereby IHE provides the services of its employed staff for the purposes of fulfilling administrative needs of the Organization. The terms of this agreement expires December 2019 but includes an option, pending reciprocal evaluation, to extend for a further two years to December 2021.

The agreement commits IHE to providing in-kind resources and support for the Secretariat. These in-kind resources include specified staff support as well as office accommodations, furniture and facilities, including telephone, facsimile and IT services. The value of these services is specified in the agreement between IHE and the Organization (see Note 5). No amounts have been recorded for in-kind support.

The agreement includes a provision for an expanded work space for which rent was paid in the fiscal period for a total of \$10,756 (year ended May 31, 2016 - \$17,756), of which, all amounts were reimbursed by the Organization to IHE with the exception of \$1,537 (May 31, 2016 - \$1,537) which is included in accounts payable and accruals as at December 31, 2016.

The total amount of salaries and benefits for the period of \$322,003 (year ended May 31, 2016 - \$445,611) were paid for by IHE, of which, all amounts were reimbursed by the Organization to IHE, with the exception of \$41,569 (May 31, 2016 - \$56,951) which is included in accounts payable and accruals as at December 31, 2016.

All transactions are measured at the exchange amount, which is the amount of consideration agreed upon by the related parties. Management is of the opinion that these amounts approximate fair value.

### 5. Commitments

The Organization has committed to a related party, IHE, to rent office space and reimburse for general and administrative overhead expenses, commencing in January 2017 and terminating in December 2019. The annual commitment is as follows:

2017	30,000
2018	50,000
2019	75,000

The Organization has entered into contracts relating to various ongoing general and administrative expenses. These commitments total \$73,067 for the fiscal year ending December 31, 2017.

In addition to these contracts, a commitment for the administration of the 2017 annual meeting has been entered into in the amount of 86,000 euros plus an amount equal to 5% of food and beverage costs. As well as a commitment for the assistance in the planning and coordination of the 2017 and 2018 annual Policy Forum meetings in the amount of 44,986 Great Britain Pounds per year.

# Health Technology Assessment international

## Notes to the Financial Statements

For the period ended December 31, 2016

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### 6. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

#### **Foreign currency risk**

The Organization enters into transactions denominated in Foreign currencies for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. In addition, certain cash and cash equivalents are denominated in United States dollars. These balances are therefore subject to gains or losses due to fluctuation in that currency and the entity translates all foreign transactions using the temporal method.

	<b>December 31,</b>	<i>May 31,</i>
	<b>2016</b>	<i>2016</i>
	<b>CAD\$</b>	<i>CAD\$</i>
Cash	<b>941,490</b>	376,475
Accounts receivable	<b>137,760</b>	683,072
Accounts payable and accruals	<b>113,661</b>	467,472

#### **Credit concentration**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of accounts receivable. As at December 31, 2016, five customers accounted for 91% of the accounts receivable (May 31, 2016 - one customer accounted for 61% of the accounts receivable). The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

**Health Technology Assessment international**  
**Schedule 1 - Secretariat expenditures**

*For the period ended December 31, 2016*

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	<i>7 Months Ended December 31, 2016</i>	<i>12 Months Ended May 31, 2016</i>
<b>Secretariat expenditures</b>		
Salaries and benefits <i>(Note 4)</i>	<b>322,003</b>	445,611
Telephone	<b>25,896</b>	36,935
Office supplies and rent <i>(Note 4)</i>	<b>23,822</b>	36,400
Bank charges	<b>7,285</b>	17,417
Bad debt expense	<b>3,030</b>	15,052
Printing	<b>2,035</b>	1,284
Postage	<b>1,336</b>	3,564
Website	<b>207</b>	1,383
Travel	<b>-</b>	138
	<b>385,614</b>	557,784

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