

Health Technology Assessment International
Financial Statements
May 31, 2013

Draft - For Management Only

Independent Auditors' Report

To the Shareholders of Health Technology Assessment International:

We have audited the accompanying financial statements of Health Technology Assessment International [and its subsidiaries], which comprise the statement of financial position as at May 31, 2013, and the statements of operations and changes in net assets, and cash flows for the year 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 May 31, 2013 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Health Technology Assessment International adopted Canadian accounting standards for not-for-profit organizations on June 1, 2012 with a transition date of June 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at June 1, 2012 and June 1, 2011, and the statements of operations and changes in net assets, and cash flows for the year ended May 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Edmonton, Alberta

Chartered Accountants

Health Technology Assessment International

Statement of Financial Position

As at May 31, 2013

	2013	2012 <i>(Restated - Note 3)</i>	June 1 2011
Assets			
Current			
Cash <i>(Note 5)</i>	873,017	688,637	536,500
Marketable securities <i>(Note 6)</i>	-	233,883	349,300
Accounts receivable	22,996	7,086	-
Prepaid expenses	48,330	35,545	26,418
Goods and services tax receivable	19,549	12,784	5,603
	963,892	977,935	917,821
Long-term prepaid expenses	92,026	-	-
	1,055,918	977,935	917,821
Liabilities			
Current			
Accounts payable and accruals	27,793	45,718	58,162
Deferred contributions	363,508	315,374	316,378
	391,301	361,092	374,540
Net Assets			
Externally restricted	-	-	50,000
Internally restricted	85,000	85,000	50,000
Unrestricted	579,617	531,843	443,281
	664,617	616,843	543,281
	1,055,918	977,935	917,821

Approved on behalf of the Board

Managing director

Director

The accompanying notes are an integral part of these financial statements

Health Technology Assessment International
Statement of Operations
For the year ended May 31, 2013

	2013	2012 <i>(Restated - Note 3)</i>
Revenue		
Policy Forum	355,694	336,771
Memberships	237,938	256,165
Annual meeting hosting fees	96,131	97,802
Interest income	8,703	982
Journal subscriptions	5,132	2,465
Total revenue	703,598	694,185
Secretariat expenditures <i>(Schedule 1)</i>	326,422	278,157
Excess of revenue over expenses before other items	377,176	416,028
Other items		
Annual meeting expense	(19,308)	(25,648)
Awards and grants	(49,216)	(64,275)
Foreign exchange gain (loss)	(6,007)	19,971
IJTAHC	(13,765)	(15,138)
Policy forum and winter board meeting	(169,398)	(151,646)
Professional fees and services	(23,561)	(27,583)
Strategic Initiatives	(32,545)	(49,117)
Website	(15,602)	(29,030)
	(329,402)	(342,466)
Excess of revenue over expenses	47,774	73,562

The accompanying notes are an integral part of these financial statements

Health Technology Assessment International Statement of Changes in Net Assets

For the year ended May 31, 2013

	<i>Externally restricted</i>	<i>Internally restricted</i>	<i>Unrestricted</i>	2013	<i>2012</i> <i>(Restated)</i>
Net assets beginning of year, as previously stated	-	85,000	492,659	577,659	543,281
Correction of an error (Note 3)	-	-	39,184	39,184	-
Net assets, beginning of year, as restated	-	85,000	531,843	616,843	543,281
Excess of revenue over expenses	-	-	47,774	47,774	73,562
Net assets, end of year	-	85,000	579,617	664,617	616,843

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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 year ended May 31, 2013

	2013	2012 <i>(Restated)</i>
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Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from customers	727,119	685,113
Cash expenditures for projects and administration	(785,325)	(649,375)
Interest received	8,703	982
	<hr/>	<hr/>
	(49,503)	36,720
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Investing activities		
Purchase of short term investment	(239,785)	(237,059)
Sale of short term investment	473,668	352,476
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	233,883	115,417
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Increase in cash resources	184,380	152,137
Cash resources, beginning of year	688,637	536,500
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Cash resources, end of year	873,017	688,637
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Health Technology Assessment International

Notes to the Financial Statements

For the year ended May 31, 2013

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. Impact of adopting accounting standards for not-for-profit organizations

These are the Organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 4 have been applied in preparing the financial statements for the year ended May 31, 2013, the comparative information for the year ended May 30, 2012, and the opening ASNPO balance sheet as at June 1, 2011 (the Organization's date of transition to ASNPO).

In preparing these financial statements, the Organization has not elected to apply any transitional provisions permitted by CICA 1501 *First-time adoption by not-for-profit organizations* at the date of transition to ASNPO.

The transition to ASNPO has not affected the statement of financial position, statement of operations, statement of changes in net assets or statement of cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

3. Correction of an error

During the year, the Organization determined that prior year prepaid expenses were included in the wrong period. For 2012, the impact of this correction has resulted in an increase in prepaid expenses of \$20,811, and a decrease in annual meeting expense of \$13,243, a decrease in travel grants of \$6,838 and a decrease to policy forum speaker expense of \$731, with an increase to net assets of \$20,812.

During the year, the Organization determined that the prior year accounts payables and accruals was incorrect. The impact of this correction resulted in a decrease in accounts payable and accruals of \$7,315, an increase to prepaid expenses of \$11,062, a reduction in goods and services tax receivable of \$5, a decrease to salaries of \$18,532, a decrease to office expense of \$241, a decrease to bank charges of \$12, and increase to website expense of \$500, an increase to annual meeting hosting fees of \$5,560, an increase to awards and grants of \$2,030 a decrease in IJTAHC expense of \$1,439, and a decrease to policy forum and winter board meeting of \$6,238, with an increase to net assets of \$18,372.

4. 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 Standards Board 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 revenues 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 year in which the related policy forum or annual meeting is held.

Health Technology Assessment International

Notes to the Financial Statements

For the year ended May 31, 2013

4. Significant accounting policies (Continued from previous page)

Contributed services

Volunteers contribute several hours per year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of 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.

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.

5. Cash

Included in the cash balance is \$85,000 of internally restricted funds. These restrictions are set by the board of directors.

6. Marketable securities

Marketable securities consisting of Guaranteed Investment Certificate ("GIC") matured in the year.

7. 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 2008 with IHE, whereby IHE provides the services of its employed staff for the purposes of fulfilling administrative needs of the Organization. The agreement commits IHE to providing commercial rent free office space as well as 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. All transactions are measured at the exchange amount, which is the amount of consideration agreed upon by the related parties. Management is in the opinion that these amounts approximate fair value.

The total amount of salaries and benefits for the year of \$280,761 (2012 - \$229,355) were paid for by IHE, of which, all amounts were reimbursed by the Organization to IHE, with the exception of \$16,255 (2012 - \$6,791) which is included in accounts receivable.

Health Technology Assessment International

Notes to the Financial Statements

For the year ended May 31, 2013

8. 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 United States currency 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.

	2013	<i>2012</i>
	CAD\$	<i>CAD\$</i>
Cash	159,869	1,268

Health Technology Assessment International
Schedule 1 - Schedule of Expenses

For the year ended May 31, 2013

	2013	2012 <i>(Restated)</i>
Expenses		
Salaries and benefits <i>(Note 7.)</i>	276,306	233,811
Bank charges	14,188	12,290
Telephone	12,859	10,386
Postage	10,981	9,550
Office supplies	8,476	5,670
Printing	1,917	4,445
Travel	1,695	2,005
	326,422	278,157

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