



**Canadian Institutes of Health Research
STATEMENT OF MANAGEMENT RESPONSIBILITY**

CIHR management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at January 17, 2014 and reflect the plans described in the Report on Plans and Priorities.

Alain Beaudet, MD, PhD
President

Thérèse Roy, CPA, CA
Chief Financial Officer

Ottawa, Canada
January 17, 2014

Canadian Institutes of Health Research
Future-oriented Statement of Financial Position
As at March 31

(in thousands of dollars)

	Estimated Results 2014	Planned Results 2015
	<u>2014</u>	<u>2015</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 4,183	\$ 4,099
Vacation pay and compensatory leave	2,084	2,084
Deferred revenue (note 7)	7,661	8,661
Employee future benefits (note 8)	1,650	1,733
Total liabilities	15,578	16,577
Financial assets		
Due from the Consolidated Revenue Fund	\$ 11,844	\$ 12,760
Accounts receivable and advances (note 9)	664	664
Total financial assets	12,508	13,424
Departmental Net Debt	\$ 3,070	\$ 3,153
Non-financial assets		
Prepaid expenses	\$ 562	\$ 562
Tangible capital assets (note 10)	819	1,333
Total non-financial assets	1,381	1,895
Departmental net financial position	\$ (1,689)	\$ (1,258)

Contractual obligations (Note 11)

Contingent liabilities (Note 12)

The accompanying notes are an integral part of these future-oriented financial statements.

Canadian Institutes of Health Research
Future-oriented Statement of Operations and Departmental Net Financial Position
For the Year Ended March 31
(in thousands of dollars)

	Estimated Results 2014	Planned Results 2015
Expenses		
Investigator-Initiated Health Research	\$ 722,036	\$ 737,868
Priority-Driven Health Research	282,999	258,019
Internal Services	3,438	3,480
Total expenses	1,008,473	999,367
Revenues		
Investigator-Initiated Health Research	5,062	7,239
Priority-Driven Health Research	1,938	2,461
Total revenues	7,000	9,700
Net cost of operations before government funding	\$ 1,001,473	\$ 989,667
Government Funding		
Net cash provided by Government	989,226	982,739
Change in due from the Consolidated Revenue Fund	3,623	916
Services provided without charge by other governmental departments (note 13)	6,593	6,443
Net cost of operations after government funding	2,031	(431)
Departmental net financial position - Beginning of Year	342	(1,689)
Departmental net financial position - End of Year	\$ (1,689)	\$ (1,258)

Segmented information (note 14)

The accompanying notes are an integral part of these future-oriented financial statements.



Canadian Institutes of Health Research
Future-oriented Statement of Change in Departmental Net Debt
For the Year Ended March 31
(in thousands of dollars)

	Estimated Results 2014	Planned Results 2015
Net Cost of Operations after government funding	\$ 2,031	\$ (431)
Change due to tangible capital assets		
Acquisition of tangible capital assets	387	987
Amortization of tangible capital assets	(2,059)	(473)
Total change due to tangible capital assets	(1,672)	514
Change due to prepaid expenses	(44)	-
Net decrease in departmental net debt	315	83
Departmental net debt - Beginning of Year	2,755	3,070
Departmental net debt - End of Year	\$ 3,070	\$ 3,153

The accompanying notes are an integral part of these future-oriented financial statements.

Canadian Institutes of Health Research
Future-oriented Statement of Cash Flows
For the Year Ended March 31
(in thousands of dollars)

	Estimated Results 2014	Planned Results 2015
	<u>2014</u>	<u>2015</u>
Operating activities		
Net cost of operations before government funding	\$ 1,001,473	\$ 989,667
Non-cash items:		
Amortization of tangible capital assets	(2,059)	(473)
Services provided without charge by other government departments (note 14)	(6,593)	(6,443)
Variations in Statement of Financial Position:		
Decrease in accounts receivable and advances	(444)	-
Decrease in prepaid expenses	(44)	-
Decrease in accounts payable and accrued liabilities	85	84
Increase in deferred revenue	(3,700)	(1,000)
Decrease (increase) in future employee benefits	121	(83)
Cash used in operating activities	<u>988,839</u>	<u>981,752</u>
Capital activities		
Acquisitions of tangible capital assets	<u>387</u>	<u>987</u>
Cash used in capital activities	<u>387</u>	<u>987</u>
Net cash provided by Government of Canada	<u><u>\$ 989,226</u></u>	<u><u>\$ 982,739</u></u>

The accompanying notes are an integral part of these future-oriented financial statements.



Canadian Institutes of Health Research NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

1. Authority and Objectives

The Canadian Institutes of Health Research (CIHR) was established in June 2000 under the *Canadian Institutes of Health Research Act*, replacing the former Medical Research Council of Canada. It is listed in Schedule II to the *Financial Administration Act* as a departmental corporation.

CIHR's objective is to excel, according to international standards of scientific excellence, in the creation of new knowledge, and its translation into improved health, more effective health services and products, and a strengthened Canadian health care system. CIHR achieves these objectives through its strategic outcome of being a world leader in the creation, dissemination and application of health research knowledge. The strategic outcome is based on two programs. The first program is Investigator-Initiated Health Research; these programs aim to advance health knowledge and to apply this knowledge in order to improve health systems and/or health outcomes. The second program, Priority-Driven Health Research, aims to advance health knowledge and its application, in specific areas of research identified by CIHR in consultation with other government departments, partners and stakeholders, in order to improve health systems and/or improve health outcomes in these priority areas.

CIHR is led by a President who is the Chairperson of a Governing Council of not more than eighteen members appointed by the Governor in Council. The Governing Council sets overall strategic direction, goals and policies and oversees programming, resource allocation, ethics, finances, planning and accountability.

CIHR has thirteen Institutes that focus on identifying the research needs and priorities for specific health areas, or for specific populations, then developing strategic initiatives to address those needs. Each Institute is led by a Scientific Director who is guided by an Institute Advisory Board, which strives to include representation of the public, researcher communities, research funders, health professionals, health policy specialists and other users of research results.

CIHR's grants, awards, and operating expenditures are funded by budgetary authorities. Employee benefits are funded by statutory authorities.

2. Methodology and Significant Assumptions

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of CIHR as described in the Report on Plans and Priorities.

The information in the estimated results for the fiscal year 2013-14 is based on actual results as at January 17, 2014 and forecasts for the remainder of the fiscal year. Estimated year end information for 2013-14 is used as the opening position for the 2014-15 planned results, and forecast have been made for the planned results for the 2014-15 fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) CIHR's activities will remain substantially the same as for the previous year;
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.

These assumptions are adopted as at January 17, 2014.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2013-14 and for 2014-15, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements, CIHR has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) Economic conditions may affect the amount of revenue earned.
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, CIHR will not be updating the forecasts for any changes to authorities or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

4. Summary of Significant Accounting Policies

The future-oriented financial statements have been prepared using Government's accounting policies that came into effect for the 2013-14 fiscal year which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

- (a) Parliamentary authorities** - CIHR is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CIHR does not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Future-oriented Statement of Operations and Departmental Net Financial Position and the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.
- (b) Net cash provided by Government** – CIHR operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CIHR is deposited to the CRF and all cash disbursements made by CIHR are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.
- (c) Amounts due from the CRF** are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the amount of cash that CIHR is entitled to draw from the CRF without further parliamentary expenditure authorities to discharge its liabilities.
- (d) Revenues**
 - Funds received from external parties for specified purposes are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related expenses are incurred.
 - Funds that have been received are recorded as deferred revenue, provided CIHR has an obligation to other parties for the provision of goods, services, or the use of assets in the future.
 - Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- (e) Expenses** – Expenses are recorded on the accrual basis:
 - Grants and awards (transfer payments) are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the future-oriented financial statements.
 - Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their



respective terms of employment.

- o Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Refunds of previous years' expenses - These amounts include the return of grants and awards funds to CIHR in the current fiscal year for expenses incurred in previous fiscal years due to cancellations; refunds of previous years' expenses related to goods or services; and adjustments of previous years' accounts payable. These refunds and adjustments are presented against the related expenses in the future-oriented financial statements but are recorded as revenue in accordance with accounting policies and therefore are excluded when determining current year authorities used.

(g) Employee future benefits

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer defined benefit pension plan administered by the Government. CIHR's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. CIHR's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- ii. Severance benefits: CIHR executives and non-represented employees: Prior to October 2, 2011, CIHR executives and non-represented employees were entitled to severance benefits under labour contracts or conditions of employment for voluntary and involuntary departures. These benefits were accrued as employees rendered the services necessary to earn them. Effective October 2, 2011, CIHR non-represented employees and executives were no longer eligible to accrue severance benefits for voluntary departures (e.g. resignation and retirement). Employees were provided with three options in relation to the severance termination provisions, such as the immediate payout of the accumulated weeks of severance at their current rate of pay, retain the accumulated weeks of severance with a payout upon termination of employment with CIHR or retirement at their exit rate of pay, or a combination thereof. These changes have been reflected in the calculation of the outstanding severance benefit obligation. Severance benefits continue to accrue for involuntary departures, however, benefits payable would be reduced by the severance termination option exercised for service up to and including October 1, 2011, should an involuntary departure occur.

(h) Accounts receivable and advances are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain.

(i) Contingent liabilities - Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented financial statements.

(j) Tangible capital assets - All tangible capital assets having an individual initial cost of \$5,000 or more are recorded at their acquisition cost.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset class	Amortization period
Informatics hardware	3-5 years
Informatics software	3-10 years
Office equipment	10 years
Vehicles	5 years

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

(k) Measurement uncertainty – The preparation of these future-oriented financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the future-oriented financial statements. At the time of preparation of these statements, management



believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

5. Parliamentary Authorities

CIHR receives most of its funding through annual Parliamentary authorities. Items recognized in the Future-oriented Statement of Operations and Departmental Net Financial Position and the Future-oriented Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, CIHR has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Authorities requested

	Estimated 2014	Planned 2015
	(in thousands of dollars)	
Vote 15 - Operating expenditures	\$ 48,640	\$ 49,731
Vote 20 - Grants	944,402	933,677
Statutory - Contributions to employee benefit plan	6,013	6,017
Forecast authorities available	<u>\$ 999,055</u>	<u>\$ 989,425</u>

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

(b) Reconciliation of net cost of operations to requested authorities

	Estimated 2014	Planned 2015
	(in thousands of dollars)	
Net cost of operations before government funding	\$ 1,001,473	\$ 989,667
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments	(6,593)	(6,443)
Refunds of previous years' expenses	5,770	5,770
Decrease (increase) in employee future benefits	121	(83)
Amortization of tangible capital assets	(2,059)	(473)
	<u>(2,761)</u>	<u>(1,229)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	387	987
Decrease in prepaid expenses	(44)	-
	<u>343</u>	<u>987</u>
Forecast authorities available	<u>\$ 999,055</u>	<u>\$ 989,425</u>

6. Accounts Payable and Accrued Liabilities

The following table presents details of the CIHR's accounts payable and accrued liabilities:

	Estimated Results 2014	Planned Results 2015
	(in thousands of dollars)	
Accounts payable to other government departments and agencies	\$ 210	\$ 206
Accounts payable to external parties	1,628	1,595
Total accounts payable	1,838	1,801
Accrued liabilities	2,345	2,298
Total accounts payable and accrued liabilities	\$ 4,183	\$ 4,099

7. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties which are restricted to fund the expenditures related to specific research projects and amounts received for fees prior to services being performed. Revenue is recognized in the period that these expenditures are incurred or the service is performed. Details of the transactions related to this account are as follows:

	Estimated Results 2014	Planned Results 2015
	(in thousands of dollars)	
Opening balance	\$ 3,961	\$ 7,661
Amounts expected to be received	10,700	10,700
Revenue recognized	(7,000)	(9,700)
Closing balance	\$ 7,661	\$ 8,661

8. Employee Future Benefits

(a) Pension benefits:

CIHR's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and CIHR contribute to the cost of the Plan. The 2013-14 forecast expense (in thousands of dollars) amounts to \$4,167 (\$4,167 in 2014-15), representing approximately 1.7 times (1.7 times in 2014-15) the contributions by employees.

CIHR's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits:

CIHR provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, estimated as at the date of these statements, is as follows:

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment of CIHR executives and non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing 2011-12. Employees subject to these changes were given the option to be immediately paid in full or partial value of benefits earned to date or collect the full remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

	Estimated Results 2014	Planned Results 2015
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	\$ 1,771	\$ 1,650
Expense for the year	(121)	83
Benefits paid during the year	-	-
Accrued benefit obligation - End of year	\$ 1,650	\$ 1,733

9. Accounts Receivable and Advances

The following table presents details of CIHR's accounts receivable and advances balances:

	Estimated Results 2014	Planned Results 2015
	(in thousands of dollars)	
Receivables from other government departments and agencies	\$ 136	\$ 136
Receivables from external parties	345	345
Accountable advances	183	183
Subtotal	<u>664</u>	<u>664</u>
Allowance for doubtful accounts on receivables from external parties	-	-
Net accounts receivable	<u>\$ 664</u>	<u>\$ 664</u>

10. Tangible Capital Assets

(in thousands of dollars)

Capital asset class	Cost				Accumulated amortization				Net Book Value	
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2014	2015
Informatics hardware	1,809	363	-	2,172	1,238	260	-	1,498	674	777
Informatics software	11,821	12	-	11,833	10,125	1,694	-	11,819	14	518
Office equipment	517	12	-	529	309	101	-	410	119	30
Vehicles	28	-	-	28	12	4	-	16	12	8
Total	\$ 14,175	\$ 387	\$ -	\$ 14,562	\$ 11,684	\$ 2,059	\$ -	\$ 13,743	\$ 819	\$ 1,333

Amortization expense (in thousands) for the year ended March 31, 2014 is \$2,059 (2015 - \$473).



11. Contractual Obligations

The nature of CIHR's activities result in some large multi-year contracts and obligations whereby CIHR will be obligated to make some future payments in order to carry out its grants and awards payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)

Contractual Obligations	2015	2016	2017	2018	2019 and thereafter	Total
Grants	\$ 733,567	502,760	315,347	171,696	61,639	\$ 1,785,009
Operating expenditures	2,627	138	26	9	-	2,800
Total	\$ 736,194	502,898	315,373	171,705	61,639	\$ 1,787,809

12. Contingent Liabilities

CIHR may be subject to legal claims in the normal course of business. In management's view, there are currently no such claims with a material impact on the financial statements and consequently, no provision has been made.

13. Related Party Transactions

CIHR is related as a result of common ownership to all Government departments, agencies, and Crown Corporations. CIHR enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, CIHR received common services which were obtained without charge from other Government departments as disclosed below.

(a) Common services provided without charge by other government departments

During the year, CIHR receives services without charge from certain common service organizations, related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in CIHR's Future-oriented Statement of Operations and Departmental Net Financial Position as follows:

	Estimated Results 2014	Planned Results 2015
	(in thousands of dollars)	
Accommodation provided by Public Works and Government Services Canada	\$ 3,541	\$ 3,391
Employer's contribution to the health and dental insurance plans provided by Treasury Board Secretariat	3,052	3,052
Total	\$ 6,593	\$ 6,443

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in CIHR's Future-oriented Statement of Operations and Departmental Net Financial Position.

(b) Administration of CIHR funds by other government departments

Other federal departments and agencies administer funds on behalf of CIHR to issue grants, awards and related payments. Other federal departments and agencies are forecasted to administer approximately \$99.1M in funds for grants and awards for both 2013-14 and 2014-15, primarily pertaining to the Canada Research Chairs program. These expenses are reflected in CIHR's Future-oriented Statement of Operations and Departmental Net Financial Position.

14. Segmented Information

Presentation by segment is based on CIHR's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 4. The following table presents the forecasted expenses incurred and forecasted revenues generated for the main programs, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

(in thousands of dollars)	2014	2015			Total
	Total	Investigator- Initiated Health Research	Priority-Driven Health Research	Internal Services	
Transfer payments					
Grants and Awards	\$ 951,402	\$ 704,055	\$ 239,322	\$ -	\$ 943,377
Refunds of previous years' grants and	(5,770)	(4,306)	(1,464)	-	(5,770)
Total transfer payments	945,632	699,749	237,858	-	937,607
Operating Expenses					
Salaries and employee benefits	44,859	27,820	14,715	2,540	45,075
Professional and special services	6,454	3,014	1,594	275	4,883
Accommodation	3,541	2,093	1,107	191	3,391
Travel	2,687	2,303	1,218	210	3,731
Other	1,450	1,283	678	117	2,078
Amortization of tangible capital assets	2,059	292	154	27	473
Communication	896	768	406	70	1,244
Furniture, equipment and software	895	546	289	50	885
Total operating expenses	62,841	38,119	20,161	3,480	61,760
Total expenses	1,008,473	737,868	258,019	3,480	999,367
Revenues					
Donations for health research	7,000	7,239	2,461	-	9,700
Total revenues	7,000	7,239	2,461	-	9,700
Net cost from continuing operations	\$ 1,001,473	\$ 730,629	\$ 255,558	\$ 3,480	\$ 989,667

15. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.