



Canadian Institutes of Health Research  
Instituts de recherche en santé du Canada



# **Canadian Institutes of Health Research**

**Quarterly Financial Report**  
for the Quarter Ended September 30, 2014

# Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2014

## 1. Introduction

This quarterly financial report should be read in conjunction with the 2014-15 [Main Estimates](#), [Supplementary Estimates A](#) as well as *Canada's Economic Action Plan 2012 (Budget 2012)*. It has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. It has not been subject to an external audit or review nor has it been subject to the approval of the Audit Committee.

The Canadian Institutes of Health Research (CIHR) is the Government of Canada's health research funding agency. Its mandate is to excel, according to internationally accepted standards of scientific excellence, in the creation of new knowledge and its translation into improved health for Canadians, more effective health services and products and a strengthened Canadian health care system.

CIHR invests in high quality health research and health research personnel to help create and apply new knowledge that can improve health outcomes for Canadians, lead to innovative products and services that improve Canada's health care system, and create high quality employment and commercial opportunities. CIHR's [Health Research Roadmap: Creating innovative research for better health and health care](#) outlines four strategic directions that are aligned with CIHR's corporate, business and operational priorities, including:

- 1) Invest in world-class research excellence;
- 2) Address health and health system research priorities;
- 3) Accelerate the capture of health and economic benefits of health research; and
- 4) Achieve organizational excellence, foster ethics and demonstrate impact.

Further details on CIHR's authority, mandate and program activities can be found in [Part II of the Main Estimates](#) and the [Report on Plans and Priorities](#).

### ***Basis of Presentation***

The quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CIHR's spending authorities granted by Parliament and those used by CIHR, consistent with the *Main Estimates* and *Supplementary Estimates A* for the 2014-15 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the departmental performance reporting process, CIHR prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian public sector accounting standards. The spending authorities voted by Parliament remain on an expenditure basis.

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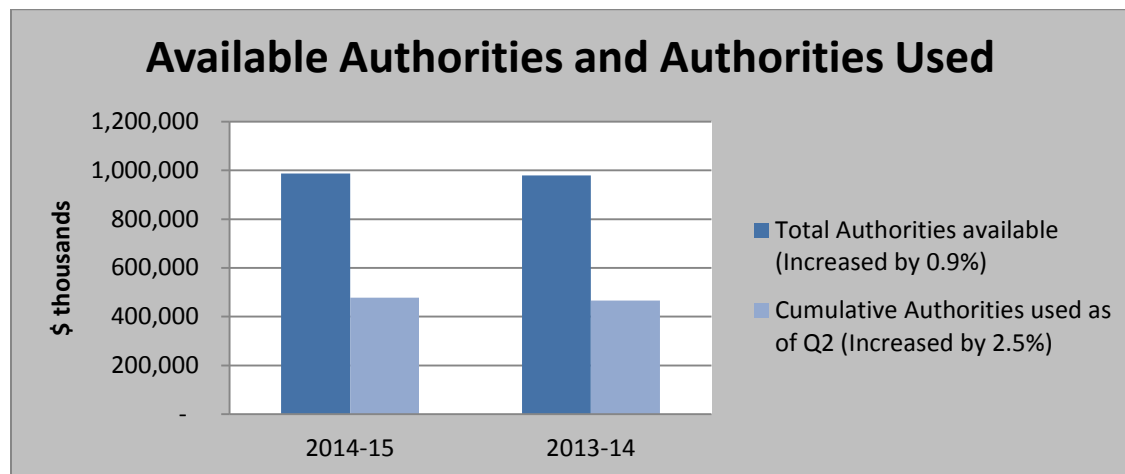
## 2. Highlights of fiscal quarter and fiscal year to date (YTD) results

As part of the 2012-13 Government of Canada spending review, organizations were asked to focus on achieving efficiencies in their operations, to better align resources to its core mandate, to transform internal processes and streamline operations, as well as to refocus business processes and its service delivery platforms. CIHR will continue to review and analyze its spending during the 2014-15 fiscal year in areas such as operating efficiency, internal services, effectiveness, affordability and relevance to ensure that it continues to meet its mandate as effectively and as efficiently as possible. Results for the second quarter of the fiscal year are as follows:

### 2.1 Financial Highlights – Statement of Authorities (Refer to Section 6)

As of September 30, 2014, total authorities available for use for CIHR have remained relatively consistent compared to 2013-14 with an increase of \$8.4 million (0.9%) as shown in the tables below. This increase is mainly a result of new grant funding announced in Budget 2013 for the CIHR Strategy for Patient-Oriented Research (SPOR) Initiative. As at September 30, 2014, total authorities used have increased by \$11.6 million (2.5%) as compared to the prior fiscal year. CIHR has used 48.4% (47.7% in 2013-14) of its available authorities through the second quarter, which is consistent with the prior year spending pattern.

**Table 2.1.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year**  
(\$ thousands)



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**Table 2.1.2 – Changes to authorities available and authorities used by fiscal quarter and fiscal year by Vote**

*(\$ thousands)*

	2014-15			2013-14			Variance	
	Q2			Q2			Q2	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating Expenditures	49,431	11,704	23.7%	46,357	10,233	22.1%	6.6%	14.4%
Vote 5 - Grants	932,143	282,324	30.3%	926,577	275,507	29.7%	0.6%	2.5%
Statutory Authorities	5,696	1,424	25.0%	5,935	1,458	24.6%	-4.0%	-2.3%
<b>Total</b>	<b>987,270</b>	<b>295,452</b>	<b>29.9%</b>	<b>978,869</b>	<b>287,198</b>	<b>29.3%</b>	<b>0.9%</b>	<b>2.9%</b>

**Table 2.1.3 – Changes to cumulative authorities available and authorities used by fiscal quarter and fiscal year by Vote**

*(\$ thousands)*

	2014-15			2013-14			Variance	
	Cumulative			Cumulative			Cumulative	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating expenditures	49,431	24,572	49.7%	46,357	21,064	45.4%	6.6%	16.6%
Vote 5 - Grants	932,143	450,831	48.4%	926,577	442,676	47.8%	0.6%	1.8%
Budgetary statutory authorities	5,696	2,848	50.0%	5,935	2,946	49.6%	-4.0%	-3.3%
<b>Total</b>	<b>987,270</b>	<b>478,251</b>	<b>48.4%</b>	<b>978,869</b>	<b>466,686</b>	<b>47.7%</b>	<b>0.9%</b>	<b>2.5%</b>

## Vote 1 – Operating Expenditures

Authorities available for use for Vote 1 - Operating expenditures have increased by \$3.1 million (6.6%) over the prior year due to new funding announced in Budget 2013 to fund CIHR's Strategy for Patient-

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Oriented Research (SPOR) as well as the approval of CIHR's 2013-14 operating budget carry forward (\$2.3 million) during the second quarter.

Authorities used during the second quarter for Vote 1 – Operating Expenditures have increased by \$1.5 million (14.4%) as compared to the prior fiscal year due primarily to the aforementioned increase in available parliamentary authorities of \$3.1 million (6.6%).

Operating Expenditures Authorities used year-to-date have increased by \$3.5 million (16.6%) as compared to the prior fiscal year due to an increase in available authorities, an increase in the number of peer review committee meetings held in the first half of the fiscal year, and due to a one-time transition payment of \$1.3 million for implementing salary payment in arrears by the Government of Canada. Adopting payment in arrears means that employees will be paid on a bi-weekly basis for the ten days worked that concluded two weeks prior to payday. As a result, employees' pay will more accurately reflect actual time worked. Departments who find they are unable to absorb some or all of the cost of the transition payment within their existing available authorities will be able to seek relief from central sources if required.

## Vote 5 – Grants

Authorities available for use for Vote 5 - Grants have increased by a net of \$5.6 million (0.6%) over the prior year primarily as a result of:

- An increase of \$14.0 million from funding announced in Budget 2013 for CIHR's Strategy for Patient-Oriented Research;
- An increase of \$1.3 million for the Business-Led Networks of Centres of Excellence program; and
- A net decrease of \$9.7 million in funding available for the Centres of Excellence for Commercialization and Research (CECR) program. This net decrease is a result of an expected timing difference in the announcement of competition results. For 2014-15, CIHR anticipates that funding for CECR will be approved through Supplementary Estimates 'B' and should be made available to CIHR for disbursement to grant recipients in the third quarter of the fiscal year. Once CECR funding is approved, available authorities for this program should be similar to those of the prior fiscal year and reduce the aforementioned variance.

Authorities used during the second quarter and cumulative authorities used as at September 30, 2014 for Vote 5 – Grants have increased by approximately \$6.8 million (2.5%) and \$8.2 million (1.8%), respectively, over the prior year periods due to increased available authorities. The increases in grant expenditures are minimal and the percentages of available authorities used during the second quarter and cumulative year to date are consistent with those incurred in the same periods of the prior fiscal year (30.3% vs. 29.7% and 48.4% vs. 47.8%).

## Statutory Authorities

Budgetary statutory authorities (representing CIHR's contribution to employee benefit plans) available for use decreased year over year by \$0.2 million (4.0%) – a negligible difference. Actual spending for statutory authorities through the second quarter is 50.0% of the total available authorities for use for the year. This is consistent with spending at the midway point of the prior year (49.6%) and the nature of the expenditure (distributed equally throughout the fiscal year).

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### 2.2 Financial Highlights – Statement of Departmental Budgetary Expenditures by Standard Object (Refer to Section 7)

As of September 30, 2014, total authorities available for use by the Canadian Institutes of Health Research have increased by \$8.4 million (0.9%) as compared to the prior fiscal year. This increase is reflected in the following table, where expenditure types are re-grouped into three categories (Personnel, Other Operating Expenditures and Grants):

**Table 2.2.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type**  
(\$ thousands)

	2014-15			2013-14			Variance	
	Q2			Q2			Q2	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	40,218	11,006	27.4%	40,044	10,315	25.8%	0.4%	6.7%
Other Operating Expenditures	14,909	2,122	14.2%	12,248	1,376	11.2%	21.7%	54.2%
Transfer Payments	932,143	282,324	30.3%	926,577	275,507	29.7%	0.6%	2.5%
<b>Total</b>	<b>987,270</b>	<b>295,452</b>	<b>29.9%</b>	<b>978,869</b>	<b>287,198</b>	<b>29.3%</b>	<b>0.9%</b>	<b>2.9%</b>

**Table 2.2.2 – Changes to cumulative authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type**  
(\$ thousands)

	2014-15			2013-14			Variance	
	Cumulative			Cumulative			Cumulative	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	40,218	21,481	53.4%	40,044	20,659	51.6%	0.4%	4.0%
Other operating expenditures	14,909	5,939	39.8%	12,248	3,351	27.4%	21.7%	77.2%
Transfer payments	932,143	450,831	48.4%	926,577	442,676	47.8%	0.6%	1.8%
<b>Total</b>	<b>987,270</b>	<b>478,251</b>	<b>48.4%</b>	<b>978,869</b>	<b>466,686</b>	<b>47.7%</b>	<b>0.9%</b>	<b>2.5%</b>

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## Personnel and Other Operating Expenditures

Authorities available for Personnel and Other Operating Expenditures for the period ended September 30, 2014, have increased by \$0.2 million and increased by \$2.7 million, respectively. The available authorities for Personnel increased marginally (0.4%) as compared to the prior fiscal year. Personnel authorities used increased by \$0.7 million (6.7%) in the second quarter of 2014-15 as compared to the prior fiscal year. The percentage of authorities used for Personnel Expenditures through the second quarter (53.4%) is reasonable for this type of expenditure and is comparable to the prior fiscal year (51.6%).

The increase in Other Operating Expenditures authorities used during the second quarter of \$0.7 million (21.7%) as compared to the prior fiscal year is a result of an increase in available authorities of \$2.7 million. The increase in available Other Operating Expenditures authorities is due to CIHR gaining access to its 2013-14 operating budget carry forward (\$2.3 million) during the second quarter. Authorities used for Other Operating Expenditures have increased by \$2.6 million (77.2%) through the second quarter of 2014-15 due to the aforementioned increase in available authorities as well as a one-time transition payment of \$1.3 million for implementing salary payment in arrears by the Government of Canada.

## Grants

Authorities available for the period ended September 30, 2014 have increased by \$5.6 million (0.6%) over the prior year, primarily as a result of new program funding announced in Budget 2013 for CIHR's SPOR initiative. Authorities used during the quarter ended September 30, 2014 have increased by \$6.8 million (2.5%) due to increased expenditures on the Strategy For Patient-Oriented Research program. The percentage of Grants authorities used through the second quarter of the fiscal year is consistent with prior year (48.4% and 47.8%, respectively).

## 2.3 Other Non-Financial Highlights

Other non-financial highlights for the first quarter include:

- On July 4, 2014, the results of the March 2014 Open Operating Grant competition were announced. CIHR approved the investment of \$251.5 million over nine years. As with previous competitions, CIHR met their ongoing commitment to the research community to fund at least 400 grants from the core competition. As well, an additional 15 full-term and 92 bridge grants will be funded through Priority Announcements and other sources for a maximum of 507 grants approved from the Operating Grant 2013-2014 (March) competition.
- On September 11-12, 2014, Minister of Health Rona Ambrose and Ambassador of France to Canada Phillipe Zeller hosted over 200 leading dementia researchers and industry experts from G7 countries for the Canada-France Global Dementia Legacy Event. The Canada-France Global Dementia Legacy Event is the second in a series of four such events stemming from the Summit on Dementia held in London, UK, in December 2013. Over the two day event, delegates heard from global dementia experts and began the development of an action framework to address the challenges and barriers for collaboration between academia and industry. The framework will aim to accelerate the transformation of dementia research into real life products or services to prevent, delay the onset, and help people living with dementia, their families and those who care

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for them. Minister Ambrose announced a series of new initiatives and investments highlighting the Government of Canada's commitment to tackling dementia, including: the launch of the Canadian Consortium on Neurodegeneration in Aging; a commitment to bring the successful Dementia Friends program to Canada; a new partnership to support transformative dementia research; the release of the *National Dementia Research and Prevention Plan*; and the release of *Mapping Connections: An Understanding of Neurological Conditions in Canada*.

- On July 11, 2014, CIHR announced funding for three new recipients of the Partners for Engagement and Knowledge Exchange grants that promotes better health for Aboriginal Peoples. These grants, funded through CIHR's *Pathways to Health Equity for Aboriginal Peoples* (or Pathways) signature initiative, will help promote health equity among First Nations, Métis, and Inuit peoples in four critical areas: suicide prevention, obesity and diabetes, tuberculosis and oral health. Through \$25 million in funding support, Pathways research will create an evidence base that supports the design and implementation of health interventions in the four areas listed above. The research will also identify how these interventions can be adopted by First Nations, Métis and Inuit communities across Canada by respecting their cultures and traditional knowledge.

## 3. Risks and uncertainties

CIHR is funded through voted parliamentary spending authorities and statutory authorities for operating expenditures and transfer payments. As a result, its operations are impacted by any changes to funding approved through Parliament. Therefore, delivering programs and services may depend on several risk factors such as economic fluctuations, technological and scientific development, evolving government priorities, and central agency or government-wide initiatives.

CIHR is continuously adapting to the ever-changing health research landscape to ensure that the research it funds contributes to the health and well-being of Canadians. CIHR is currently managing a number of risks with respect to several change management initiatives, including the Reform of its Open Suite of Programs and the Institute Model Review. These initiatives aim to improve and modernize how CIHR delivers its programs to benefit all Canadians. The changes currently being implemented at CIHR are significant. The primary risk associated with both the Reform of the Open Programs and the Institute Model Review is that CIHR will be unable to make needed program, policy or other changes to adapt to or efficiently meet emerging or evolving needs. CIHR Management has already implemented several mitigation measures to monitor and measure the associated risks, including:

- The completion of an external stakeholder analysis to effectively inform an external stakeholder and communication plan;
- The implementation of governance structures (e.g. Steering Committees, Executive Task Forces) to oversee the change initiatives; and
- The development of implementation plans with regular updates provided to the Executive Management Committee and the other established governance structures.

In addition, CIHR Management is developing a new financial framework to more effectively align CIHR's resources to its strategic research priorities.

If not properly mitigated, the risks associated with these key initiatives could result in a loss of credibility for CIHR from both key external and internal stakeholders and the public at large, leading to possible damage to CIHR's reputation.



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## 4. Significant changes in relation to operations, personnel and programs

Effective September 2<sup>nd</sup>, 2014, Michel Perron was appointed as Vice-President, External Affairs and Business Development.

There have been no significant changes in relation to operations, personnel and programs during the quarter.

## 5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

In the first year of implementation (2012-13), CIHR achieved savings of \$15.0 million. Savings increased to \$30.0 million in 2013-14 and will result in ongoing savings of \$30.0 million (\$24.5 million in Grants and \$5.5 million in Operating Expenditures) in 2014-15 and all future years. These savings were achieved through efficiency measures and program reductions that better align CIHR's resources to its core mandate, scaling back where the need is reduced, transforming how it works internally, and by consolidating and streamlining. To realize the required Operating savings of \$5.5 million, CIHR streamlined its operations, merged functions and units through a restructuring exercise which included the reduction of portfolios and a realignment of management functions.

The measures implemented have explicitly spared critical CIHR programs such as the Open Operating Grants Program. In fact, Budget 2012 clearly stated that CIHR's programming in support of basic research, student scholarships, and industry-related research initiatives and collaborations was to be maintained.

Overall the 2012 Budget Implementation exercise has had minimal impact on CIHR's ability to meet its mandate and to provide programs directed at the health research community and its other stakeholders. Therefore, there is no impact on service levels to Canadians.

Approved by:

[Original signed by]

[Original signed by]

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Alain Beaudet, MD, PhD  
President

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Thérèse Roy, CPA, CA (Québec)  
Chief Financial Officer

Ottawa, Canada  
November 29, 2014

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### 6. Statement of Authorities (*unaudited*) For the quarter ended September 30, 2014

<i>(in thousands of dollars)</i>	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended September 30, 2014	Year to date used at quarter-end	Total available for use for the year ended March 31, 2014 *	Used during the quarter ended September 30, 2013	Year to date used at quarter-end
Vote 1 – Operating expenditures	49,431	11,704	24,572	46,357	10,233	21,064
Vote 5 - Grants	932,143	282,324	450,831	926,577	275,507	442,676
Budgetary statutory authorities	5,696	1,424	2,848	5,935	1,458	2,946
<b>Total authorities</b>	<b>987,270</b>	<b>295,452</b>	<b>478,251</b>	<b>978,869</b>	<b>287,198</b>	<b>466,686</b>

\* Includes only Authorities available for use and granted by Parliament at quarter-end.

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## 7. Departmental budgetary expenditures by Standard Object *(unaudited)* For the quarter ended September 30, 2014

<i>(In thousands of dollars)</i>	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015 *	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	40,218	11,006	21,481	40,044	10,315	20,659
Transportation and communications	5,785	576	1,783	3,536	604	1,566
Information	1,185	156	258	855	77	156
Professional and special services	5,678	999	1,669	6,390	491	1,011
Rentals	898	192	621	251	126	431
Repair and maintenance	110	6	6	138	7	7
Utilities, materials and supplies	224	50	54	192	28	52
Acquisition of machinery and equipment	1,029	182	190	886	45	66
Transfer payments	932,143	282,324	450,831	926,577	275,507	442,676
Other subsidies and payments	-	(39)	1,358	-	(2)	62
<b>Total budgetary expenditures</b>	<b>987,270</b>	<b>295,452</b>	<b>478,251</b>	<b>978,869</b>	<b>287,198</b>	<b>466,686</b>

\* Includes only Authorities available for use and granted by Parliament at quarter-end.