



CIHR IRSC

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

Discoveries for life / Découvertes pour la vie

Canadian Institutes of Health Research
Annual Report 2016-17



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

Canada

At the Canadian Institutes of Health Research (CIHR), we know that research has the power to change lives. As Canada's health research investment agency, we collaborate with partners and researchers to support the discoveries and innovations that improve our health and strengthen our health care system.

**CANADIAN INSTITUTES
OF HEALTH RESEARCH**

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CANADIAN INSTITUTES OF HEALTH RESEARCH
ANNUAL REPORT 2016-17

CONTENTS

PRESIDENT'S MESSAGE **4**

PROVIDING STEWARDSHIP AND ACCOUNTABILITY **6**

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS **12**

AUDITORS' REPORT AND FINANCIAL STATEMENTS **16**

PRESIDENT'S MESSAGE



DR. RODERICK R. MCINNES
ACTING PRESIDENT OF THE
CANADIAN INSTITUTES
OF HEALTH RESEARCH

I AM PLEASED TO PRESENT
THE 2016–17 ANNUAL
REPORT OF THE CANADIAN
INSTITUTES OF HEALTH
RESEARCH (CIHR).

As Canada's health research investment agency, CIHR plays a leading role in the creation of new knowledge and its translation into improved health for Canadians, a strengthened health system, and improved quality and accessibility of care. Over the past year, CIHR supported vital fundamental research, projects to improve health outcomes, as well as research in areas of priority to Canadians.

Among those priorities is the urgent need to find a solution to antimicrobial resistance – the drug-resistant microbes created as a result of the overuse and misuse of antibiotics. This year, CIHR is investing in Canadian research strengths by providing \$2.76 million to support two competitions under the Joint Programming Initiative on Antimicrobial Resistance (JPIAMR), committing an additional \$3 million through the JPIAMR Prevention and Intervention Strategies to Control AMR Infections program, and providing \$1.39 million to support projects under the Point of Care Diagnostics in Human Health program. These initiatives are the latest in a number of strategic investments that CIHR has made in this important field of research. It is hoped that these collaborative efforts will lead to breakthroughs that will enable us to contain this serious threat to public health.

As our populations age, dementia has become another priority research area for Canada and many countries

throughout the world. This progressive, neurodegenerative condition prevents seniors from functioning independently, places great pressure on the health care system, and can be emotionally devastating to families and loved ones. Through the Canadian Consortium on Neurodegeneration in Aging, CIHR is taking a leadership role in addressing this condition. In partnership with 14 other funding agencies, national charities, research institutions, and health practitioner organizations, CIHR is supporting 350 researchers from across Canada to find ways to improve diagnosis, provide more effective treatments and, hopefully, find a cure.

This year, CIHR also made progress in advancing the Strategy for Patient-Oriented Research with the creation of SUPPORT Units in British Columbia, Saskatchewan, and the Northwest Territories. These centres of expertise – which are now located throughout Canada – will allow patients, researchers, health care practitioners, and decision-makers to establish research priorities that meet the needs of local communities. They will also be connected with similar centres throughout Canada, allowing the provinces and territories to share best practices and accelerate the application of research evidence into care.

Equity is an integral part of a sustainable health research ecosystem and I am pleased to note that CIHR took steps this year to ensure that its programs, funding opportunities, and evaluation systems result in the fair treatment of all participants. In alignment with the Government of Canada's broader Gender-Based Analysis Plus (GBA+) Initiative, CIHR is proactively evaluating equity in three key areas: sex and gender-based analysis in research (ensuring that sex and gender are taken into account in the design, conduct, and reporting of all funded research projects); equity in CIHR's funding system (ensuring equitable access to CIHR funds for all eligible individuals); and equity in how CIHR conducts its business internally (e.g., hiring practices).

Reducing the health inequities faced by Indigenous people is another key priority for the Government of Canada and CIHR has responded by strengthening its commitment to supporting Indigenous research. CIHR established the health and wellness of Indigenous populations as one of the agency's four priority areas of research and, this year, CIHR committed to implementing a series of concrete actions to further strengthen Indigenous health research in Canada. This included an increase in funding to a minimum of 4.6% (proportional to Canada's Indigenous population) of CIHR's annual budget. It is our hope that these investments will lead to better health for Indigenous patients, families, and communities.

I invite you to read the financial details of this report to learn more about how CIHR investments are strengthening Canada's health care system and improving the health of Canadians.



**Roderick R. McInnes, C.M., O.Ont., MD, PhD,
FRSC**

Acting President, Canadian Institutes of Health Research



PROVIDING STEWARDSHIP AND ACCOUNTABILITY CIHR GOVERNING COUNCIL

CIHR reports to Parliament through the Minister of Health. Its Governing Council comprises up to 18 Canadians who have been appointed by Order in Council to renewable three-year terms. Council members represent a wide range of backgrounds and disciplines, reflecting CIHR's broad mandate and vision.

DR. ALAIN BEAUDET
(Chair)
President
Canadian Institutes of Health
Research
(until March 31, 2017)

DR. RODERICK R. MCINNES
(Chair)
Acting President
Canadian Institutes of Health
Research
(since April 1, 2017)

MAJOR-GENERAL JEAN-
ROBERT BERNIER
Major-General
Chairman, Committee of the
Chiefs of Military Medical Services
North Atlantic Treaty Organization

DR. NADINE CARON
Assistant Professor
Northern Medical Program
University of British Columbia

MS. MAURA DAVIES
President and Principal Consultant
Maura Davies Healthcare
Consulting Inc.

MS. DEBBIE FISCHER
Executive in Residence
Rotman School of Business
University of Toronto

MS. MICHÈLE FORTIN
Former President and CEO
Télé-Québec

DR. PAUL E. GARFINKEL
Staff Psychiatrist
Centre for Addiction and Mental
Health
Professor, Department of
Psychiatry
University of Toronto

DR. LAWRENCE JARDINE
Head, Section of Pediatric
Hematology and Oncology,
Children's Hospital
Associate Professor (Pediatrics),
Schulich School of Medicine and
Dentistry
Western University

MR. SIMON KENNEDY
(Ex Officio, Non-Voting)
Deputy Minister
Health Canada

MR. MARTIN LEBLANC
President and CEO
Capron Biosciences Inc.

DR. AMY ORNSTEIN
Pediatrician and Medical Director
IWK Health Centre Child
Protection Team
Division Head of General
Pediatrics
Dalhousie University

MS. CHRIS POWER
CEO
Canadian Patient Safety Institute

DR. TERRANCE P. SNUTCH
Professor and Canada Research
Chair
Michael Smith Laboratories
Departments of Psychiatry and
Zoology and
Brain Research Centre
University of British Columbia

MS. LORI TURIK
Executive Director
World Health Innovation Network
(WIN)
Odette School of Business
University of Windsor

DR. LORI WEST
Professor of Pediatrics, Surgery
and Immunology
Canada Research Chair (Tier 1) in
Cardiac Transplantation
Research Director, Alberta
Transplant Institute
Director, Canadian National
Transplant Research Program
University of Alberta

THE HONOURABLE MICHAEL
H. WILSON
(Vice-Chair)
Chairman
Barclays Capital Canada Inc.

DR. TERRY-LYNN YOUNG
Professor, Faculty of Medicine
Memorial University of
Newfoundland

CIHR INSTITUTES

CIHR is composed of 13 innovative Institutes. Each Institute is headed by a Scientific Director who is a leader in his or her field. These Institutes bring together all partners in the research process – those who fund research, those who carry it out and those who use its results – to share ideas and focus on what Canadians need: good health and the means to prevent and fight diseases.



CIHR INSTITUTE OF ABORIGINAL PEOPLES' HEALTH (CIHR-IAPH)

DR. MALCOLM KING SIMON FRASER UNIVERSITY

(UNTIL DECEMBER 31, 2016)

DR. CARRIE BOURASSA HEALTH SCIENCES NORTH RESEARCH INSTITUTE

(SINCE FEBRUARY 1, 2017)



The CIHR Institute of Aboriginal Peoples' Health (CIHR-IAPH) invests in research to improve and promote the health of First Nations, Inuit and Métis peoples in Canada. The Institute's pursuit of research excellence is enhanced by respect for community research priorities and Indigenous knowledge, values and cultures.



CIHR INSTITUTE OF AGING (CIHR-IA)

DR. YVES JOANNETTE UNIVERSITY OF MONTREAL

The CIHR Institute of Aging (CIHR-IA) invests in research that promotes an optimal life-long approach to healthy aging, and improves the health and wellness of Canada's aging population. By supporting advances in prevention, diagnosis, treatment, care delivery, and social determinants of health, IA seeks to improve the health and quality of life of Canadians in their later years.



CIHR INSTITUTE OF CANCER RESEARCH (CIHR-ICR)

DR. STEPHEN ROBBINS UNIVERSITY OF CALGARY

The CIHR Institute of Cancer Research (CIHR-ICR) invests in research in all areas of cancer control. ICR helps reduce the burden of cancer on individuals and families through research on prevention strategies, screening, early diagnosis, effective treatments, psycho-social support systems, and palliation.



CIHR INSTITUTE OF CIRCULATORY AND RESPIRATORY HEALTH (CIHR-ICRH)

DR. BRIAN H. ROWE UNIVERSITY OF ALBERTA

The CIHR Institute of Circulatory and Respiratory Health (CIHR-ICRH) invests in research on conditions associated with the heart, lungs, brain (stroke), critical care, blood, blood vessels, and sleep. By supporting advances in biological sciences, diagnosis, treatment, and prevention, ICRH seeks to protect and improve the health of all Canadians.



CIHR INSTITUTE OF GENDER AND HEALTH (CIHR-IGH)

DR. CARA TANNENBAUM UNIVERSITY OF MONTREAL

The CIHR Institute of Gender and Health (CIHR-IGH) invests in research that examines the influence of sex and gender on health. IGH also works to ensure this research evidence supports the development of policies and programs that address pressing health challenges facing men, women, boys, girls, and gender-diverse people.



CIHR INSTITUTE OF GENETICS (CIHR-IG)

DR. PAUL LASKO MCGILL UNIVERSITY

The CIHR Institute of Genetics (CIHR-IG) invests in research on cell biology, biochemistry, human genetics and genomics, and the impact of related scientific advances on society. Genetic research touches all areas of health, allowing IG to strengthen health care policies and practices, and improve the health of all Canadians.



CIHR INSTITUTE OF HEALTH SERVICES AND POLICY RESEARCH (CIHR-IHSPR)

DR. ROBYN TAMBLYN MCGILL UNIVERSITY

The CIHR Institute of Health Services and Policy Research (CIHR-IHSPR) invests in research that will strengthen Canada's health care system. By promoting evidence-based best practices, IHSPR seeks to improve the way health care services are managed and delivered, to maximize benefits for patients.



CIHR INSTITUTE OF HUMAN DEVELOPMENT, CHILD AND YOUTH HEALTH (CIHR-IHDCYH)

DR. SHOO LEE UNIVERSITY OF TORONTO

The CIHR Institute of Human Development, Child and Youth Health (CIHR-IHDCYH) invests in research that promotes the best health for all Canadians, from the very start of life. By supporting research to improve reproductive, child, and youth health outcomes, IHDCYH helps young Canadians and families achieve their full potential for ideal growth and development.



CIHR INSTITUTE OF INFECTION AND IMMUNITY (CIHR-III)

DR. MARC OUELLETTE LAVAL UNIVERSITY

The CIHR Institute of Infection and Immunity (CIHR-III) invests in research on infectious diseases and the body's immune system. Through this research, III addresses a wide range of health concerns related to infection and immunity, including disease prevention and treatment, as well as public health promotion.



CIHR INSTITUTE OF MUSCULOSKELETAL HEALTH AND ARTHRITIS (CIHR-IMHA)

DR. HANI EL-GABALAWY UNIVERSITY OF MANITOBA

The CIHR Institute of Musculoskeletal Health and Arthritis (CIHR-IMHA) invests in research related to bones, joints, muscles, skin, and teeth. By supporting advances in prevention, diagnosis, and treatment, IMHA seeks to promote active living, preserve mobility, and improve oral health for Canadians.



CIHR INSTITUTE OF NEUROSCIENCES, MENTAL HEALTH AND ADDICTION (CIHR-INMHA)

DR. ANTHONY PHILLIPS UNIVERSITY OF BRITISH COLUMBIA
(UNTIL MARCH 31, 2017)

DR. SAMUEL WEISS UNIVERSITY OF CALGARY
(SINCE JULY 1, 2017)



The CIHR Institute of Neurosciences, Mental Health and Addiction (CIHR-INMHA) invests in fundamental and clinical research on the brain and spinal cord to enhance the understanding of cognitive, emotional and sensory motor functions. Advances in these areas will ensure a brighter future for Canadians living with neurological and mental health conditions.



CIHR INSTITUTE OF NUTRITION, METABOLISM AND DIABETES (CIHR-INMD)

DR. PHILIP SHERMAN UNIVERSITY OF TORONTO

The CIHR Institute of Nutrition, Metabolism and Diabetes (CIHR-INMD) invests in research on diet, digestion, and metabolism. By addressing the causes, diagnosis, treatment, and prevention of a wide range of conditions and problems associated with hormones, the digestive system, kidneys, and liver function, INMD seeks to improve health for all Canadians.



CIHR INSTITUTE OF POPULATION AND PUBLIC HEALTH (CIHR-IPPH)

DR. NANCY EDWARDS UNIVERSITY OF OTTAWA
(UNTIL JULY 31, 2016)

DR. STEVEN J. HOFFMAN UNIVERSITY OF OTTAWA
(SINCE AUGUST 1, 2016)



The CIHR Institute of Population and Public Health (CIHR-IPPH) invests in research to examine how biological, social, and environmental factors and policies affect health. IPPH applies this knowledge to improve health and health equity for all Canadians.

CIHR EXECUTIVE MANAGEMENT TEAM

CIHR's Executive Management Team provides leadership and decision making for strategic, corporate policy and management areas that support and contribute to the strategic directions set out by the Governing Council.



DR. ALAIN BEAUDET
PRESIDENT
(RETIRED MARCH 31, 2017)



DR. RODERICK R. MCINNES
ACTING PRESIDENT
(SINCE APRIL 1, 2017)



DR. JANE E. AUBIN
CHIEF SCIENTIFIC OFFICER
VICE-PRESIDENT, RESEARCH,
KNOWLEDGE TRANSLATION
AND ETHICS
(RETIRED MARCH 31, 2017)



DR. ANNE MARTIN-MATTHEWS
ACTING VICE-PRESIDENT, RESEARCH,
KNOWLEDGE TRANSLATION AND ETHICS
(SINCE MAY 1, 2017)



MS. THÉRÈSE ROY
CHIEF FINANCIAL OFFICER
VICE-PRESIDENT, RESOURCE
PLANNING AND MANAGEMENT



MR. MICHEL PERRON
EXECUTIVE VICE-PRESIDENT
EXTERNAL AFFAIRS AND
BUSINESS DEVELOPMENT



MR. JEFF LATIMER
VICE-PRESIDENT, COMPETITION
MANAGEMENT

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The following Financial Statement Discussion and Analysis (FSD&A) should be read in conjunction with the Canadian Institutes of Health Research (CIHR) audited financial statements and accompanying notes for the year ended March 31, 2017.

The responsibility for the integrity and objectivity of the FSD&A rests with the management of CIHR. The purpose of the FSD&A is to highlight information and provide explanations to enhance the user's understanding of CIHR's financial position and results of operations, while demonstrating CIHR's accountability for its resources. Additional information on CIHR's performance is available in the *CIHR Departmental Results Report* (formerly *Departmental Performance Report*), and information on its plans and priorities is available in the *CIHR Department Plan* (formerly *Report on Plans and Priorities*).

OVERVIEW

The Canadian Institutes of Health Research was established in June 2000 under the *Canadian Institutes of Health Research Act*. 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's budget is allocated through authorities approved by Parliament. CIHR has separate voted authorities for operating expenses and for grants. Authorities provided to CIHR by Parliament do not parallel financial reporting according to Canadian public sector accounting standards, since authorities are primarily based on cash accounting principles. Consequently, items recognized in the Statement of Financial Position, the Statement of Operations and Departmental Net Financial Position, the Statement of Change in Departmental Net Debt, and the Statement of Cash Flows are not necessarily the same as those provided through authorities from Parliament. Note 3 of the Financial Statements provides users with a reconciliation between the two bases of reporting.

HIGHLIGHTS

As evidenced below, CIHR's financial results in 2016-17 are consistent with those of the preceding fiscal year.

1. STATEMENT OF FINANCIAL POSITION

CONDENSED STATEMENT OF FINANCIAL POSITION (IN MILLIONS OF DOLLARS)

AS AT MARCH 31	% CHANGE	2017	2016
Total liabilities	(2.9%)	\$ 13.6	\$ 14.0
Total financial and non-financial assets	23.1%	\$ 19.7	\$ 16.0

The slight decrease in total liabilities is primarily due to a decrease in deferred revenue of \$1.3 million, as external partner contributions were approximately \$1.0 million lower than the previous year. The decrease is also due to a \$0.2 million lower employee future benefits liability resulting from severance payments to employees. These decreases were offset by an increase to accounts payable and accrued liabilities of \$1.1 million mainly due to an additional day of accrued payroll, and due to timing of invoice payments.

The increase in total financial and non-financial assets is primarily due to a \$2.0 million increase in tangible capital assets as a result of the capitalization of various internally developed software. Additionally, there was a \$1.8 million increase in accounts receivable and advances mainly due to grant refunds owing at year-end.

2. STATEMENT OF OPERATIONS AND DEPARTMENTAL NET FINANCIAL POSITION

CONDENSED STATEMENT OF OPERATIONS AND DEPARTMENTAL NET FINANCIAL POSITION (IN MILLIONS OF DOLLARS)			
FOR THE YEAR ENDED MARCH 31	% CHANGE	2017	2016
Total expenses	5.0%	\$ 1,088.1	\$ 1,036.1
Net cost of operations before government funding and transfers	5.2%	\$ 1,081.3	\$ 1,028.3

The increase in both Total expenses (5.0%) and in Net cost of operations before government funding and transfers (5.2%) are attributable to increased Parliamentary authorities provided to CIHR by the Government of Canada of \$54.9 million (5.3%) as compared to the prior fiscal year.

3. VARIANCE ANALYSIS

3.1. VARIANCES BETWEEN CURRENT YEAR ACTUAL RESULTS AND BUDGET

As noted earlier, CIHR is funded by the Government of Canada through Parliamentary authorities. In 2016–17, CIHR's Parliamentary authorities increased by \$57.6 million throughout the year via Supplementary Estimates and other adjustments, as follows:

2016-17 Main Estimates (IN MILLIONS OF DOLLARS)	\$ 1,025.6
Budget 2016	30.0
Budget 2015	15.0
Canada First Research Excellence Fund (CFREF)	8.8
Net transfers from other government departments	3.2
2015-16 Carry-forward	1.2
Employee Benefits Plan adjustment	(0.6)
Total increase in Parliamentary authorities	57.6
2016-17 Year-end Parliamentary authorities	\$ 1,083.2

CIHR's 2016–17 year-end Parliamentary authorities of \$1,083.2 million represent an increase of \$54.9 million (or 5.3%) as compared to CIHR's year-end authorities in 2015–16 (\$1,028.3 million). This increase is the key factor to note when comparing current year and prior year results for CIHR.

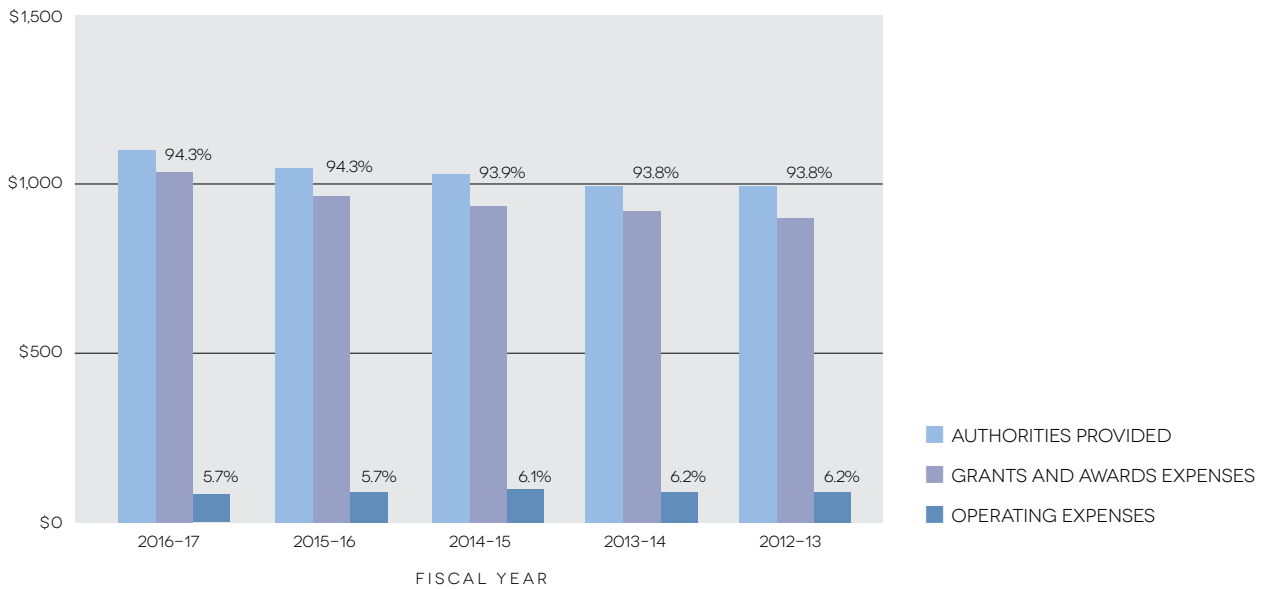
3.2. VARIANCES BETWEEN CURRENT YEAR ACTUAL RESULTS AND PRIOR YEAR ACTUAL RESULTS

SEE NOTE 12 (SEGMENTED INFORMATION) OF AUDITED FINANCIAL STATEMENTS (IN MILLIONS OF DOLLARS)			
FOR THE YEAR ENDED MARCH 31	% CHANGE	2017	2016
Grants and awards	5.1%	\$ 1,031.1	\$ 980.6
Total operating expenses	5.1%	\$ 62.1	\$ 59.1

Grants and awards expenses increased by 5.1% (or \$50.5 million) in 2016–17 due to increased Parliamentary appropriations being apportioned to CIHR for grants (as outlined in section 3.1). Total operating expenses also increased by 5.1% (\$3.0 million) over the previous year due to an increase in professional and special services expenditures and furniture, equipment and software expenditures due partly to the construction of a new contact centre at CIHR. There was also an increase in amortization expense as a result of increased capital asset acquisitions over the past two years.

4. TREND ANALYSIS

4.1. GRANTS AND AWARDS EXPENSES (IN MILLIONS OF DOLLARS)



- As evidenced by the above chart, grants and awards expenses increase or decrease on a yearly basis in relative proportion to changes in the Parliamentary authorities provided to CIHR by the Government of Canada.
- In 2016-17, grants and awards expenses made up 94.3% of total expenses as compared to 94.3% in 2015-16.

4.2. OPERATING EXPENSES (IN MILLIONS OF DOLLARS)



- Salary and employee benefit expenses increased by \$0.8 million (or 1.7%) in 2016-17.
- In 2016-17, salaries and employee benefits made up 76.5% of total operating expenses as compared to 79.0% in the prior year.
- Total operating expenses incurred were slightly higher than those incurred in 2015-16.
- The ratio of operating expenses to total expenses was 5.7% in 2016-17 as compared to 5.7% in 2015-16.

FINANCIAL OUTLOOK – 2017–18

The Government recognizes the importance of protecting our communities and Canadians from the risks associated with climate change. As a result, Budget 2017 allocated to CIHR \$2.0 million per year for the next five years beginning in 2017–18 to develop and implement a targeted research program on health and climate change, in collaboration with stakeholders. The CIHR Climate Change and Health Research Initiative will focus on two strategic areas of interest for the Government of Canada:

- Climate Change and Food Security in the Canadian North; and
- Lyme Disease and Climate Change.

In response to Canada's serious opioid crisis, the Minister of Health announced, in December 2016, the Canadian Drugs and Substances Strategy (the Strategy). The Strategy continues the Government's response to the opioid crisis by implementing activities related to harm reduction, and improving the evidence base to inform drug policy. As a result, Budget 2017 proposed to support the national measures associated with the Strategy by allocating \$10.0 million to CIHR over five years beginning in 2017–18 and \$2.0 million per year ongoing. With this funding, CIHR will expand the Canadian Research Initiative in Substance Misuse to support new research on drugs and substances, including but not limited to the problematic use of opioids in Canada, as well as knowledge translation activities to inform policies and health care practices in a timely fashion.

In addition, Budget 2017 provided \$117.6 million over eight fiscal years to create between 15 and 35 research chairs to attract top-tier international scholars and researchers to Canada and enhance Canada's reputation as a global centre for science, research and innovation excellence. As the funding will be allocated to the Natural Sciences and Engineering Research Council, the Social Sciences and Humanities Research Council and CIHR depending on the successful chairs' alignment to the three agencies' mandates respectively, CIHR is expecting to receive a portion of this funding starting in 2017–18.

CIHR will potentially receive additional funding starting in 2017–18 for the Centres of Excellence for Commercialization and Research program.

It is expected that CIHR's total budget will continue to exceed \$1.0 billion in 2017–18 and be consistent with budgetary levels from 2016–17.

AUDITORS' REPORT AND FINANCIAL STATEMENTS

CANADIAN INSTITUTES OF HEALTH RESEARCH

STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2017, and all information contained in these statements rests with the management of the Canadian Institutes of Health Research (CIHR). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of CIHR's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in CIHR's *Departmental Results Report*, will be consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout CIHR; and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

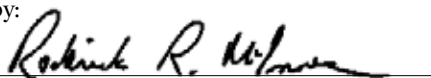
The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2017 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex¹.

The effectiveness and adequacy of CIHR's system of internal control is reviewed by the internal audit staff under the guidance of the Chief Audit Executive, who conducts periodic assessments of different areas of CIHR's operations, and reviewed by CIHR's Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the President of CIHR and its Governing Council.

Ernst & Young LLP, the independent auditor for CIHR, has expressed an opinion on the fair presentation of the financial statements of CIHR which does not include an audit opinion on the annual assessment of the effectiveness of CIHR's internal controls over financial reporting.

Approved by:



Roderick R. McInnes, C.M., O.Ont., MD, PhD, FRSC
Acting President



Thérèse Roy, CPA, CA (Quebec)
Chief Financial Officer
Vice-President, Resource Planning and Management

Ottawa, Canada
June 21, 2017

¹Summary of the Assessment of Effectiveness of the Systems of Internal Control over Financial Reporting and the Action Plan of the Canadian Institutes of Health Research for the Fiscal Year 2016-17 (Unaudited).



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE GOVERNING COUNCIL CANADIAN INSTITUTES OF HEALTH RESEARCH

We have audited the accompanying financial statements of the **Canadian Institutes of Health Research**, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and departmental net financial position, of change in departmental net debt and of 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 of these financial statements in accordance with Canadian public sector accounting standards, 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 auditors consider 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 in our audit 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 the **Canadian Institutes of Health Research** as at March 31, 2017, and the results of its operations, changes in net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ottawa, Canada
June 21, 2017

Chartered Professional Accountants
Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

(IN THOUSANDS OF DOLLARS)	2017	2016
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	\$ 6,240	\$ 5,151
Vacation pay and compensatory leave	2,425	2,549
Deferred revenue (note 5)	4,013	5,276
Employee future benefits (note 6)	885	1,073
TOTAL LIABILITIES	13,563	14,049
FINANCIAL ASSETS		
Due from the Consolidated Revenue Fund	10,249	10,423
Accounts receivable and advances (note 7)	2,387	622
TOTAL FINANCIAL ASSETS	12,636	11,045
DEPARTMENTAL NET DEBT	927	3,004
NON-FINANCIAL ASSETS		
Prepaid expenses	497	414
Tangible capital assets (note 8, note 13)	6,549	4,565
TOTAL NON-FINANCIAL ASSETS	7,046	4,979
DEPARTMENTAL NET FINANCIAL POSITION	\$ 6,119	\$ 1,975

Contractual obligations (note 9)

Contingent liabilities (note 10)

The accompanying notes form an integral part of these financial statements.

Approved by:



Roderick R. McInnes, C.M., O.Ont., MD, PhD, FRSC
Acting President, Canadian Institutes of
Health Research

Ottawa, Canada
June 21, 2017



Thérèse Roy, CPA, CA (Quebec)

Chief Financial Officer
Vice-President, Resource Planning and Management

STATEMENT OF OPERATIONS AND DEPARTMENTAL NET FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31

(IN THOUSANDS OF DOLLARS)	2017	2017	2016
	PLANNED RESULTS (NOTE 2)		
EXPENSES			
Investigator-Initiated Health Research	\$ 691,326	\$ 709,099	\$ 690,834
Priority-Driven Health Research	315,037	345,327	313,906
Internal Services	32,002	33,711	31,412
TOTAL EXPENSES (NOTE 13)	1,038,365	1,088,137	1,036,152
REVENUES			
Investigator-Initiated Health Research	470	285	212
Priority-Driven Health Research	9,605	6,579	7,594
TOTAL REVENUES	10,075	6,864	7,806
NET COST OF OPERATIONS BEFORE GOVERNMENT FUNDING AND TRANSFERS	\$ 1,028,290	\$ 1,081,273	\$ 1,028,346
GOVERNMENT FUNDING AND TRANSFERS			
Net cash provided by Government		1,078,200	1,023,981
Change in Due from the Consolidated Revenue Fund		(174)	(1,244)
Services provided without charge by other government departments (note 11)		7,391	6,893
NET COST OF OPERATIONS AFTER GOVERNMENT FUNDING AND TRANSFERS		(4,144)	(1,284)
DEPARTMENTAL NET FINANCIAL POSITION – BEGINNING OF YEAR		1,975	691
DEPARTMENTAL NET FINANCIAL POSITION – END OF YEAR		\$ 6,119	\$ 1,975

Segmented information (note 12)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGE IN DEPARTMENTAL NET DEBT

FOR THE YEAR ENDED MARCH 31

(IN THOUSANDS OF DOLLARS)	2017	2016
NET COST OF OPERATIONS AFTER GOVERNMENT FUNDING AND TRANSFERS	\$ (4,144)	\$ (1,284)
CHANGE DUE TO TANGIBLE CAPITAL ASSETS		
Acquisition of tangible capital assets (note 13)	2,827	1,919
Amortization of tangible capital assets (note 13)	(838)	(445)
Loss on disposal of capital assets	(5)	-
TOTAL CHANGE DUE TO TANGIBLE CAPITAL ASSETS	1,984	1,474
CHANGE DUE TO PREPAID EXPENSES	83	(73)
NET INCREASE (DECREASE) IN DEPARTMENTAL NET DEBT	(2,077)	117
DEPARTMENTAL NET DEBT – BEGINNING OF YEAR	3,004	2,887
DEPARTMENTAL NET DEBT – END OF YEAR	\$ 927	\$ 3,004

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

(IN THOUSANDS OF DOLLARS)	2017	2016
OPERATING ACTIVITIES		
Net cost of operations before government funding and transfers	\$ 1,081,273	\$ 1,028,346
Non-cash items:		
Amortization of tangible capital assets (note 13)	(838)	(445)
Services provided without charge by other government departments (note 11)	(7,391)	(6,893)
Loss on disposal of capital assets	(5)	-
Variations in Statement of Financial Position:		
Increase in accounts receivable and advances	1,765	159
Increase (decrease) in prepaid expenses	83	(73)
Increase in accounts payable and accrued liabilities	(1,089)	(4)
Decrease (increase) in vacation pay and compensatory leave	124	(463)
Decrease in deferred revenue	1,263	1,244
Decrease in future employee benefits	188	191
CASH USED IN OPERATING ACTIVITIES	1,075,373	1,022,062
CAPITAL ACTIVITIES		
Acquisitions of tangible capital assets (note 13)	2,827	1,919
CASH USED IN CAPITAL ACTIVITIES	2,827	1,919
NET CASH PROVIDED BY GOVERNMENT OF CANADA	\$ 1,078,200	\$ 1,023,981

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

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's strategic outcome is as follows: Canada is a world leader in the creation, dissemination and application of health research knowledge. The strategic outcome is achieved based on two programs. The first program is Investigator-Initiated Health Research, to develop and support a well-trained base of world-class health researchers and trainees conducting research across all aspects of health, including biomedical research, clinical research, research respecting health systems, health services, the health of populations, societal and cultural dimensions of health and environmental influences on health, and other research as required. The goal of the Investigator-Initiated Health Research program is to advance health knowledge and to apply this knowledge in order to improve health systems and/or health outcomes. The second program is Priority-Driven Health Research, which provides funding to researchers for emergent and targeted research that responds to the changing health needs and priorities of Canadians across all aspects of health, including biomedical research, clinical research, research respecting health systems, health services, the health of populations, societal and cultural dimensions of health and environmental influences on health, and other research as required. The goal of the Priority-Driven Health Research program is 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the Government's accounting policies stated below, 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 Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between

the bases of reporting. The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented Statement of Operations (unaudited) included in the *2016-17 Report on Plans and Priorities*. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the *2016-17 Report on Plans and Priorities*.

- (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 net amount of cash that CIHR is entitled to draw from the CRF without further authorities to discharge its liabilities.
- (D) REVENUES**
- Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. 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 financial statements.
 - Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
 - 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 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

- Pension benefits: Eligible employees participate in the Public Service Pension Plan (the 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.
- 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 and advances 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 recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the 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:

<u>ASSET CLASS</u>	<u>AMORTIZATION PERIOD</u>
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 they become available for use and are not amortized until they become available for use.

(K) **MEASUREMENT UNCERTAINTY** – The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the 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.

3. PARLIAMENTARY AUTHORITIES

CIHR receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the 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) RECONCILIATION OF NET COST OF OPERATIONS TO CURRENT YEAR AUTHORITIES USED

(IN THOUSANDS OF DOLLARS)	2017	2016
NET COST OF OPERATIONS BEFORE GOVERNMENT FUNDING AND TRANSFERS	\$ 1,081,273	\$ 1,028,346
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(838)	(445)
Services provided without charge by other government departments	(7,391)	(6,893)
Decrease (increase) in vacation pay and compensatory leave	124	(463)
Decrease in employee future benefits	188	191
Refunds of previous years' grants and awards	5,042	3,612
Bad debt expense	(29)	(31)
Loss on disposal of capital assets	(5)	-
Other adjustments	56	216
	(2,853)	(3,813)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	2,827	1,919
Increase (decrease) in prepaid expenses	83	(73)
	2,910	1,846
CURRENT YEAR AUTHORITIES USED	\$ 1,081,330	\$ 1,026,379

(B) AUTHORITIES PROVIDED AND USED

(IN THOUSANDS OF DOLLARS)	2017	2016
Authorities provided:		
Vote 1 – Operating expenditures	\$ 52,731	\$ 49,399
Vote 5 – Grants	1,024,787	973,306
Statutory amounts	5,676	5,566
Less:		
Authorities available for future years	(1,133)	(1,409)
Frozen authorities	(193)	–
Lapsed: Grants	(538)	(483)
CURRENT YEAR AUTHORITIES USED	\$ 1,081,330	\$ 1,026,379

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(IN THOUSANDS OF DOLLARS)	2017	2016
Accounts payable – Other government departments and agencies	\$ 121	\$ 124
Accounts payable – External parties	940	559
Total accounts payable	1,061	683
Accrued liabilities	5,179	4,468
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 6,240	\$ 5,151

5. DEFERRED REVENUE

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

(IN THOUSANDS OF DOLLARS)	2017	2016
OPENING BALANCE	\$ 5,276	\$ 6,520
Amounts received	5,601	6,562
Revenue recognized	(6,864)	(7,806)
CLOSING BALANCE	\$ 4,013	\$ 5,276

6. EMPLOYEE FUTURE BENEFITS

(A) PENSION BENEFITS:

CIHR's employees participate in the Plan, which is sponsored and administered by the Government of Canada. 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/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and CIHR contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to the *Economic Action Plan 2012*, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2016–17 expense amounts to \$3,954,750 (\$3,836,421 in 2015–16). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015–16) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015–16) the employee contributions.

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:

Severance benefits provided to the Department's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(IN THOUSANDS OF DOLLARS)	2017	2016
ACCRUED BENEFIT OBLIGATION – BEGINNING OF YEAR	\$ 1,073	\$ 1,264
Expense for the year	1	–
Benefits paid during the year	(189)	(191)
ACCRUED BENEFIT OBLIGATION – END OF YEAR	\$ 885	\$ 1,073

7. ACCOUNTS RECEIVABLE AND ADVANCES

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

(IN THOUSANDS OF DOLLARS)	2017	2016
Receivables – Other government departments and agencies	\$ 895	\$ 435
Receivables – External parties	1,560	226
Accountable advances	1	1
	2,456	662
Allowance for doubtful accounts on receivables from external parties	(69)	(40)
NET ACCOUNTS RECEIVABLE	\$ 2,387	\$ 622

8. TANGIBLE CAPITAL ASSETS

(IN THOUSANDS OF DOLLARS)

CAPITAL ASSET CLASS	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	OPENING BALANCE	ACQUI-SITIONS	DISPOSALS AND WRITEOFFS	CLOSING BALANCE	OPENING BALANCE	AMORTI-ZATION	DISPOSALS AND WRITEOFFS	CLOSING BALANCE	2017	2016
Informatics hardware	\$ 1,689	\$ 712	\$ (404)	\$ 1,997	\$ 1,422	\$ 183	\$ (404)	\$ 1,201	\$ 796	\$ 267
Informatics software	16,263	1,930	(14)	18,179	12,050	636	(14)	12,672	5,507	4,213
Office equipment	430	10	(300)	140	349	15	(295)	69	71	81
Vehicles	28	–	–	28	24	4	–	28	–	4
Assets under construction	–	175	–	175	–	–	–	–	175	–
TOTAL	\$ 18,410	\$ 2,827	\$ (718)	\$ 20,519	\$ 13,845	\$ 838	\$ (713)	\$ 13,970	\$6,549	\$4,565

Amortization expense for the year ended March 31, 2017 is \$837,705 (2016 – \$445,548).

9. CONTRACTUAL OBLIGATIONS

The nature of CIHR's activities can 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	2018	2019	2020	2021	2022 AND THEREAFTER	TOTAL
Grants and awards	\$ 802,515	\$ 624,548	\$ 417,918	\$ 264,015	\$ 287,983	\$ 2,396,979
Operating expenditures	4,778	31	24	–	–	4,833
TOTAL	\$ 807,293	\$ 624,579	\$ 417,942	\$ 264,015	\$ 287,983	\$ 2,401,812

10. CONTINGENT LIABILITIES

CIHR may be subject to claims and litigation 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.

11. 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 received 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 Statement of Operations and Departmental Net Financial Position as follows:

(IN THOUSANDS OF DOLLARS)	2017	2016
Accommodation provided by Public Services and Procurement Canada	\$ 3,697	\$ 3,522
Employer's contribution to the health and dental insurance plans provided by Treasury Board Secretariat	3,694	3,371
TOTAL	\$ 7,391	\$ 6,893

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 Services and Procurement Canada, are not included in CIHR's Statement of Operations and Departmental Net Financial Position.

(B) ADMINISTRATION OF PROGRAMS ON BEHALF OF OTHER GOVERNMENT DEPARTMENTS

Under a memorandum of understanding signed with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC), CIHR administers funds for the Vanier Canada Graduate Scholarship and Banting Postdoctoral Fellowship programs. During the year, CIHR administered \$22,446,004 (\$22,417,892 in 2015-16) in funds for grants and awards on behalf of NSERC and SSHRC. These expenses are reflected in the financial statements of NSERC and SSHRC and are not recorded in these financial statements.

12. 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 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(IN THOUSANDS OF DOLLARS)	2017				2016
	INVESTIGATOR-INITIATED HEALTH RESEARCH	PRIORITY-DRIVEN HEALTH RESEARCH	INTERNAL SERVICES	TOTAL	TOTAL
Transfer payments					
Grants and Awards	\$ 698,877	\$ 332,236	\$ –	\$ 1,031,113	\$ 980,629
Refunds of previous years' grants and awards	(2,929)	(2,113)	–	(5,042)	(3,612)
Total transfer payments	695,948	330,123	–	1,026,071	977,017
Operating Expenses					
Salaries and employee benefits	11,001	13,155	23,297	47,453	46,678
Professional and special services	848	294	3,351	4,493	3,183
Accommodation	764	684	2,249	3,697	3,522
Travel	380	966	550	1,896	2,093
Rentals	55	43	1,118	1,216	1,552
Furniture, equipment and software	76	8	990	1,074	504
Communication	17	45	994	1,056	1,117
Amortization of tangible capital assets	–	–	838	838	445
Utilities, materials and supplies	10	16	181	207	109
Other	–	(7)	143	136	(68)
Total operating expenses	13,151	15,204	33,711	62,066	59,135
Total expenses	709,099	345,327	33,711	1,088,137	1,036,152
Revenues					
Donations for health research	285	6,579	–	6,864	7,806
Total revenues	285	6,579	–	6,864	7,806
NET COST FROM CONTINUING OPERATIONS	\$ 708,814	\$ 338,748	\$ 33,711	\$ 1,081,273	\$ 1,028,346

13. ADJUSTMENT TO COMPARATIVE INFORMATION

During 2016–17, CIHR determined that expenses related to two internally developed software assets were not capitalized over the past two fiscal years. As a result of the error, assets were understated and expenses were overstated in fiscal 2014–15 and 2015–16. The changes have been applied retroactively and the prior year balances have been adjusted accordingly. As such, Tangible capital assets as at March 31, 2016 were increased by \$4,205,357, opening Departmental net financial position as at April 1, 2015 was increased by \$2,538,712 and Expenses for the year ended March 31, 2016 were decreased by \$1,901,287 less \$234,642 in amortization expense.

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