



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



Canadian Institutes of Health Research

Quarterly Financial Report
for the Quarter Ended December 31, 2013

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2013

1. Introduction

This quarterly financial report should be read in conjunction with the 2013-14 [Main Estimates](#), [Supplementary Estimates A](#), [Supplementary Estimates B](#) 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 Departmental 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 programs 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*, *Supplementary Estimates A*, and *Supplementary Estimates B* for the 2013-14 fiscal year. The impacts of Budget 2012 are fully reflected in this quarterly report. 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.

CIHR uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

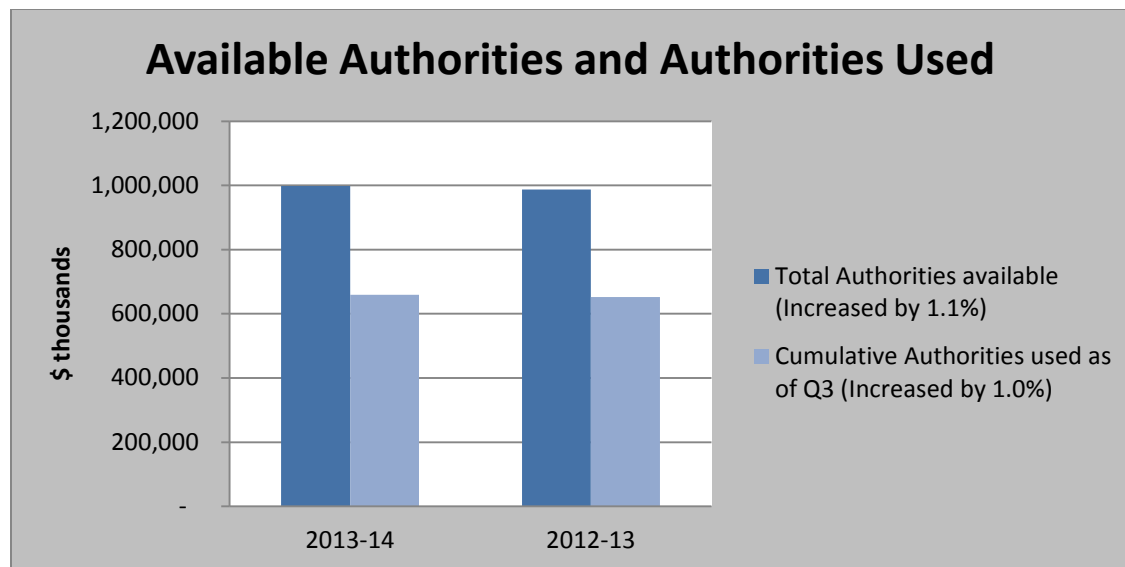
2. Highlights of fiscal quarter and fiscal year to date (YTD) results

As part of the 2012-13 Government of Canada spending review, organizations were asked to focus on achieving efficiencies in their operations, as well as to refocus business processes and service delivery platforms. CIHR continues to review and analyze its spending during the 2013-14 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 third quarter are as follows:

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

As of December 31, 2013, total authorities available for use for CIHR have remained relatively consistent compared to 2012-13 with an increase of \$10.8 million (1.1%), as shown in the tables below. As at December 31, 2013, cumulative authorities used have also increased by approximately \$6.5 million (1.0%) as compared to the prior fiscal year. CIHR has used 66.0% (66.1% in 2012-13) of its available authorities through the first three quarters, which is in line 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 for Q3

(\$ thousands)

	2013-14			2012-13			Variance	
	Q3			Q3			Q3	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 15 - Operating expenditures	50,168	11,251	22.4%	52,370	11,399	21.8%	-4.2%	-1.3%
Vote 20 - Grants	941,782	179,469	19.1%	928,197	170,843	18.4%	1.5%	5.0%
Budgetary statutory authorities	6,013	1,480	24.6%	6,618	1,642	24.8%	-9.1%	-9.9%
Total	997,963	192,200	19.3%	987,185	183,884	18.6%	1.1%	4.5%

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

(\$ thousands)

	2013-14			2012-13			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 15 - Operating expenditures	50,168	32,315	64.4%	52,370	34,781	66.4%	-4.2%	-7.1%
Vote 20 - Grants	941,782	622,146	66.1%	928,197	612,706	66.0%	1.5%	1.5%
Budgetary statutory authorities	6,013	4,426	73.6%	6,618	4,948	74.8%	-9.1%	-10.5%
Total	997,963	658,887	66.0%	987,185	652,435	66.1%	1.1%	1.0%

Vote 15 – Operating Expenditures

Authorities available for use for Vote 15 - Operating expenditures have decreased by \$2.2 million (4.2%) over the prior year due to expenditure reductions announced in Budget 2012. The full impact of the

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Budget 2012 operating expenditure reductions is now represented in the Vote 15 available authorities for 2013-14.

Authorities used during the third quarter and cumulative authorities used as at December 31, 2013 for Vote 15 – Operating expenditures have decreased by approximately \$0.15 million (1.3%) and \$2.5 million (7.1%), respectively, over the prior year periods. The decrease in operating expenditures is mainly attributed to decreased personnel costs and travel costs as a result of streamlined operations and the implementation of efficiency measures across the organization. Further analysis on Operating expenditures can be found in section 2.2 – Statement of Departmental Budgetary Expenditures by Standard Object.

Vote 20 – Grants

Authorities available for use for Vote 20 - Grants have increased by \$13.6 million (1.5%) over the prior year as a result of new program funding offset by the Budget 2012 reductions.

CIHR received additional grant funding for the following initiatives:

- \$11.1 million to fund the remainder of the 4th cohort for the Centres of Excellence for Commercialization and Research as part of the 2013-14 Supplementary Estimates A;
- \$14.0 million for CIHR's Strategy for Patient-Oriented Research through Budget 2013 approved in the 2013-14 Supplementary Estimates B; and
- \$0.75 million net increase as a result of transfers from other government departments.

CIHR's grant funding decreased for the following reasons:

- \$12.25 million decrease to CIHR's base budget as a result of the implementation of efficiency measures from Budget 2012.

Authorities used during the third quarter and cumulative authorities used as at December 31, 2013 for Vote 20 – Grants have increased by approximately \$8.6 million (5.0%) and \$9.4 million (1.5 %), respectively, over the prior year periods. The increase in grant expenditures is due to increased Parliamentary authorities available in 2013-14. Actual spending for Grants for the third quarter and year to date is 19.1% and 66.1% of the total available authorities for use for the year. This is fairly consistent with spending for the same periods in the prior year (18.4% and 66.0%).

Budgetary Statutory Authorities

Budgetary statutory authorities available for use decreased year over year by \$0.6 million (9.1%) as a result of the implementation of efficiency measures and the streamlining of operations at CIHR. Budgetary statutory authorities are directly related to Personnel costs which have similarly decreased, as explained above.

The variance in actual spending over the prior year's quarter was a \$0.2 million (9.9%) decrease. This decrease is also a result of the implementation of efficiency measures.

Actual spending for statutory authorities for the third quarter and year to date is 24.6% and 73.6% of the total available authorities for use for the year. This is consistent with spending for the same periods in the prior year (24.8% and 74.8%) and the type of expenditure.

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

As of December 31, 2013, total authorities available for use for the Canadian Institutes of Health Research have increased by approximately \$10.8 million. This increase is reflected in the following tables, where expenditure types are re-grouped into three categories (Personnel, Other Operating Expenditures and Transfer Payments):

Table 2.2.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type for Q3

(\$ thousands)

	2013-14			2012-13			Variance	
	Q3			Q3			Q3	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	41,002	10,754	26.2%	44,576	10,898	24.4%	-8.0%	-1.3%
Other operating expenditures	15,179	1,977	13.0%	14,412	2,143	14.9%	5.3%	-7.7%
Transfer payments	941,782	179,469	19.1%	928,197	170,843	18.4%	1.5%	5.0%
Total	997,963	192,200	19.3%	987,185	183,884	18.6%	1.1%	4.5%

Table 2.2.2 – Changes to cumulative authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type

(\$ thousands)

	2013-14			2012-13			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	41,002	31,414	76.6%	44,576	34,093	76.5%	-8.0%	-7.9%
Other operating expenditures	15,179	5,327	35.1%	14,412	5,636	39.1%	5.3%	-5.5%
Transfer payments	941,782	622,146	66.1%	928,197	612,706	66.0%	1.5%	1.5%
Total	997,963	658,887	66.0%	987,185	652,435	66.1%	1.1%	1.0%

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Personnel

Authorities available for Personnel expenditures for the period ended December 31, 2013, have decreased by \$3.6 million or 8.0%. The decrease is the result of the implementation of efficiency measures and the streamlining of operations announced in Budget 2012.

Authorities used during the third quarter and cumulative authorities used as at December 31, 2013 for Personnel expenditures have decreased by approximately \$0.14 million (1.3%) and \$2.7 million (7.9%), respectively, over the prior year periods. These decreases are also the result of the implementation of efficiency measures and the streamlining of operations.

Actual spending for Personnel for the third quarter and year to date is 26.2% and 76.6% of the total available authorities for use for the year. This is consistent with spending for the same periods in the prior year (24.4% and 76.5%).

Other Operating Expenditures

Authorities available for Other operating expenditures as at December 31, 2013, have increased by a minimal amount of \$0.8 million (5.3%).

Actual spending for Other operating expenditures is lower this quarter than it was in the prior year quarter by \$0.2 million or 7.7%. This decrease is the result of: lower travel costs in Q3 2013-14 as a result of increased reliance on the virtual peer review process, timing of the receipt of invoices, and the implementation of efficiency measures to reduce operating expenditures. Actual cumulative spending year to date for Other operating expenses is similar to the prior year with a slight decrease in 2013-14 of \$0.3 million (5.5%).

The percentage of authorities used for Other operating expenditures for the third quarter and year to date of 13.0% and 35.1% are similar to the prior year (14.9% and 39.1%). These expenditures are not used on a linear basis throughout the year like Personnel expenditures.

Transfer Payments

Authorities available for Transfer payments for the period ended December 31, 2013 have increased by \$13.6 million (1.5%) over the prior year as a result of new program funding offset by the efficiency measures as discussed in section 2.1- Statement of Authorities.

Authorities used for the quarter ended December 31, 2013 and year to date for Transfer payments have increased by \$8.6 million (5.0%) and \$9.4 million (1.5%), respectively. Further analysis on Transfer payments (Grants) can be found above in the section 2.1 – Statement of Authorities. The percentages used are consistent with prior year periods (19.1% vs. 18.4% and 66.1% vs. 66.0%) as grants are typically paid-out in bi-monthly installments starting in May of each fiscal year.

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2.3 Other Non-Financial Highlights

Other non-financial highlights for the third quarter include:

- On October 18, 2013, the Foundation for Children with Intestinal and Liver Disorders (CH.I.L.D) and the Canadian Institutes of Health Research (CIHR) announced a \$5 million investment in the Canadian Children Inflammatory Bowel Disease Network, as a result of their joint partnership. The goals of this national Network and data platform include finding a cure for Inflammatory Bowel Diseases (IBD) in children and identifying means of prevention. Up to 25% of Canadian patients diagnosed with IBD, which is a group of diseases that includes Crohn's disease and ulcerative colitis, are children. Pediatric IBD has a number of characteristics that distinguish it from adult-onset IBD, and the Network will link leading scientists from 10 major academic institutions across seven provinces (BC, AB, MB, ON, QC, NS, and NL) to study pediatric IBD exclusively. In addition to the search for a cure, the Network will work toward improving the quality of care for current pediatric IBD patients (and their families), as well as uncovering the factors that make children susceptible to developing IBD. Please visit CIHR's website at <http://www.cihr-irsc.gc.ca/e/47510.html> to learn more.
- On November 4, 2013, the Honourable Rona Ambrose, Minister of Health, at a youth hockey practice with Brian Burke, President of Hockey Operations for the Calgary Flames and former NHL player Jamie Macoun announced funding for new research on concussions with a focus on improving the prevention, diagnosis and treatment of these injuries in children and youth. The announcement includes funding for 19 new research projects. They include a major project at the University of Calgary on developing best practices for the prevention, early diagnosis and management of sport-related concussion in youth ice hockey and a project at the Holland Bloorview Kids Rehabilitation Hospital to study novel approaches to improve the recovery of children and youth who suffer concussions and to protect their long-term health. Please visit CIHR's website at <http://www.cihr-irsc.gc.ca/e/47568.html> to learn more.
- On November 28, 2013, the Honourable Rona Ambrose, Minister of Health, announced funding for new research that aims to find a cure for HIV and contribute to the global effort to put an end to AIDS. The announcement includes funding for two research projects: Dr. Eric Cohen at the Institut de recherches cliniques de Montréal will lead the Canadian HIV Cure Enterprise: a collaboration of leading Canadian HIV researchers aimed at finding new approaches to curing HIV infection; and Dr. Hugo Soudeyns at the Centre hospitalier universitaire Sainte-Justine will lead a project focused on curing babies and children who acquire HIV from their mothers during pregnancy. The projects are funded through the Canadian Initiative for HIV Cure Research, a partnership between the Canadian Institutes of Health Research (CIHR), the Canadian Foundation for AIDS Research (CANFAR) and the International AIDS Society (IAS). The initiative is aligned with the priorities of Towards an HIV Cure, a global scientific strategy led by the IAS. Please visit CIHR's website at <http://www.cihr-irsc.gc.ca/e/47659.html> to learn more.
- CIHR and its partners released several funding opportunities during the quarter ended December 31, 2013 which totaled approximately \$500.4 million in total future multi-year funding. The funding opportunities released during the quarter cover CIHR programs ranging from the Transitional Operating Grant (CIHR Open Operating Grant Program), Foundation Scheme 1st Live Pilot, Canadian Consortium on Neurodegeneration in Aging, Team Grant – Boys & Men's Health, and Cancer Prevention Research Grants. Funding opportunities can be found on CIHR's website at <http://www.cihr-irsc.gc.ca/e/26626.html>.

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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, government priorities, and central agencies or government-wide initiatives.

CIHR manages a number of risks; the most prominent of them are identified in its internal Corporate Risk Profile. These risks are being monitored and managed on an ongoing basis and inform discussions and decisions at the senior management level.

Like other departments, CIHR has to manage within an environment of fiscal restraint while mitigating the risks to the delivery of its core mandate and commitments. CIHR has been implementing the following actions in this respect:

- Conducting an exhaustive review of all planned grant and award initiatives in parallel with the development of a new multi-year strategic investment plan to ensure that CIHR is able to strategically invest in priority areas of health research;
- Leveraging additional funding through partnerships with key stakeholders to increase its investment impact in health research;
- Conducting a vigilant review on all planned salary and planned operating expenditures;
- Closely monitoring all staffing actions to ensure budget authorities are respected – in particular, that new staffing actions are carefully reviewed to ensure that employees affected by fiscal restraint measures are considered first and that work force adjustment costs are therefore minimized; and
- Enhancing internal discipline, monitoring, and reporting measures to ensure that expenditure levels in the areas of travel, hospitality, and conferences are reduced.

CIHR has managed the aforementioned risks and uncertainties through rigorous planning and monitoring activities and the application of sound project management strategies.

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

No significant changes in relation to operations, personnel and programs occurred during the third quarter of fiscal year 2013-14.

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.

The Canadian Institutes of Health Research will achieve annual Budget 2012 savings of \$30 million (\$5.5 million in Operating, \$24.5 million in Grants) in 2013-14 and all future fiscal years. These measures explicitly spare critical programs such as the Open Operating Grants Program. In fact, the budget clearly

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stated that CIHR's programming in support of basic research, student scholarships and industry-related research initiatives and collaborations has been maintained. In protecting CIHR's grants and awards budget, the Government of Canada has signaled that these are core functions of CIHR and will remain so. Rather, the savings will be achieved through efficiency measures and program reductions that align resources to its core mandate, scaling back where the need is reduced.

There is a net decrease of \$15 million in CIHR's authorities between fiscal year 2012-13 and 2013-14 related to Budget 2012 for the following reasons:

- Decrease of \$24.5 million to CIHR's grants and awards programs;
- Decrease of \$5.5 million to CIHR's operating expenditures; and
- Increase of \$15.0 million to fund CIHR's Strategy for Patient-Oriented Research.

To realize the required Grants savings, reductions of \$24.5 million were applied to the Health Researchers, Health Research Commercialization and Health and Health Services Advances programs. CIHR's programming in support of basic research, student scholarships and industry-related research initiatives and collaborations have been maintained and all existing obligations will be honored. Overall the 2012 Budget Implementation exercise has little impact on CIHR's ability to meet its mandate and to provide programs directed at the research community and its other stakeholders. Therefore, there is no impact on service levels to Canadians.

To realize the required Operating savings of \$5.5 million, CIHR effectively managed the impact of Budget 2012 implementation through the early adoption of an effective Vacancy Management strategy which achieved savings through attrition and voluntary departures. CIHR also streamlined its operations, merged functions and units through a restructuring exercise which included the reduction of portfolios and a realignment of management functions. In addition, a new matrix model for the management of CIHR's operations was implemented. Operating savings have been fully realized.

There are no financial risks or uncertainties related to these savings.

Approved by:

[Original signed by]

[Original signed by]

Alain Beaudet, MD, PhD
President

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

Ottawa, Canada
March 1, 2014

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6. Statement of Authorities (*unaudited*)

For the quarter ended December 31, 2013

<i>(in thousands of dollars)</i>	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended December 31, 2013	Year to date used at quarter-end	Total available for use for the year ending March 31, 2013 *	Used during the quarter ended December 31, 2012	Year to date used at quarter-end
Vote 15 – Operating expenditures	50,168	11,251	32,315	52,370	11,399	34,781
Vote 20 - Grants	941,782	179,469	622,146	928,197	170,843	612,706
Budgetary statutory authorities	6,013	1,480	4,426	6,618	1,642	4,948
Total authorities	997,963	192,200	658,887	987,185	183,884	652,435

* 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 December 31, 2013

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013 *	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end
<i>(In thousand of dollars)</i>						
Expenditures:						
Personnel	41,002	10,754	31,414	44,576	10,898	34,093
Transportation and communications	4,384	541	2,107	6,135	784	2,428
Information	1,059	173	329	1,302	223	518
Professional and special services	7,918	699	1,710	4,746	736	1,670
Rentals	311	94	525	499	150	504
Repair and maintenance	171	18	25	1,071	8	24
Utilities, materials and supplies	238	25	77	390	33	78
Acquisition of machinery and equipment	1,098	24	89	269	88	276
Transfer payments	941,782	179,469	622,146	928,197	170,843	612,706
Other subsidies and payments	-	403	465	-	121	138
Total budgetary expenditures	997,963	192,200	658,887	987,185	183,884	652,435

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