

# **Canadian Institutes of Health Research**

## **Quarterly Financial Report for the quarter ended December 31, 2019**

# Canadian Institutes of Health Research

Quarterly financial report for the quarter ended December 31, 2019

## 1. Introduction

This quarterly financial report 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 should be read in conjunction with the 2019-20 [Main Estimates](#). It has not been subject to an external audit or review nor has it been subject to the approval of the Audit Committee.

### *1.1 Authority, mandate and programs*

The Canadian Institutes of Health Research (CIHR) is the Government of Canada's health research funding agency. It was created in June 2000 by the *Canadian Institutes of Health Research Act* with a mandate “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 II: Capturing Innovation to Produce Better Health and Health Care for Canadians](#) presents CIHR's vision to capture excellence and accelerate health innovation via three strategic directions, including:

- 1) Promoting excellence, creativity and breadth in health research and knowledge translation;
- 2) Mobilizing health research for transformation and impact; and
- 3) Achieving organizational excellence.

Further details on CIHR's mandate and programs can be found in [Part II of the Main Estimates](#) and the [Department Plan](#).

### *1.2 Basis of presentation*

This 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 for the 2019-20 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.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

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CIHR uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental results 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

This quarterly financial report reflects the results of the current fiscal period in comparison to the authorities provided in the Main Estimates for fiscal year 2019-20, as well as budget adjustments approved by Treasury Board up to December 31, 2019.

### 2.1 Financial highlights – Statement of authorities (refer to Section 5)

As of December 31, 2019, total authorities available for use for CIHR have increased by \$27.0 million (2.3%) compared to December 31, 2018 as shown in the tables below. The increase to CIHR's total authorities available is due to:

- \$15.3 million increase due to adjustments in the amount of new funding in Budget 2018 to enhance support for health research and for Gairdner Foundation activities;
- \$8.7 million increase to Canada Research Chairs program as a result of an increase in the amount of new funding through Budget 2018 as well as a reprofile of a portion of lapsed funds from 2018-19 to the current fiscal year;
- \$4.1 million of new funding announced in Budget 2019 for Supporting Graduate Students Through Research Scholarships program;
- \$2.0 million of new funding announced in Budget 2019 for Paid Parental Leave for Student Researchers;
- \$1.1 million increase in the operating budget carryforward;
- \$0.4 million decrease in funding due to various adjustments and contributions required by Central Agencies;
- \$1.0 million decrease in net transfers from other government departments for specific programs and initiatives;
- \$1.0 million decrease in funding to support Canadian Drugs and Substance Strategy; and
- \$1.8 million decrease resulting from CIHR's participation in tri-agency programs in collaboration with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC). Funding for these programs varies by fiscal year as CIHR is allocated funding following each distinct competition depending on the successful applicants' alignment with CIHR's health-related mandate. CIHR received more funds in 2019-20 for Canada Excellence Research Chairs (\$3.8 million) program and less funds for Centres of Excellence for Commercialization and Research (\$3.5 million), Canada 150 Research Chairs (\$2.0 million) and College and Community Innovation Program (\$0.1 million).

Total authorities used as at December 31, 2019 have increased by \$31.1 million (4.2%) as compared to the prior fiscal year mainly due to grant payments towards the newly created programs mentioned above as well as increased personnel costs. CIHR has used 65.5% (64.3% in 2018-19) of its available authorities through the third quarter which is consistent with its annual spending pattern.

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**Table 2.1.1 – Changes to annual authorities available and cumulative authorities used by vote**  
(\$ thousands)

	2019-20			2018-19			Variance	
	Annual authorities available	Cumulative authorities used	% used	Annual authorities available	Cumulative authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating expenditures	59,188	43,739	73.9%	57,880	40,342	69.7%	2.3%	8.4%
Vote 5 - Grants	1,119,733	727,270	65.0%	1,094,883	700,456	64.0%	2.3%	3.8%
Statutory authorities	6,829	5,104	74.7%	5,956	4,250	71.4%	14.7%	20.1%
<b>Total</b>	<b>1,185,750</b>	<b>776,113</b>	<b>65.5%</b>	<b>1,158,719</b>	<b>745,048</b>	<b>64.3%</b>	<b>2.3%</b>	<b>4.2%</b>

**Table 2.1.2 – Changes to annual authorities available and authorities used during the third quarter by vote**  
(\$ thousands)

	2019-20			2018-19			Variance	
	Annual authorities available	Q3 authorities used	% used	Annual authorities available	Q3 authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating expenditures	59,188	15,080	25.5%	57,880	13,726	23.7%	2.3%	9.9%
Vote 5 - Grants	1,119,733	169,282	15.1%	1,094,883	197,686	18.1%	2.3%	(14.4%)
Statutory authorities	6,829	1,701	24.9%	5,956	1,417	23.8%	14.7%	20.0%
<b>Total</b>	<b>1,185,750</b>	<b>186,063</b>	<b>15.7%</b>	<b>1,158,719</b>	<b>212,829</b>	<b>18.4%</b>	<b>2.3%</b>	<b>(12.6%)</b>

## Vote 1 – Operating expenditures

Total authorities available for use for Vote 1 - Operating expenditures as at December 31, 2019 have increased by \$1.3 million (2.3%) compared to the prior fiscal year as a result of:

- \$1.2 million increase due to adjustments in the amount of new funding in Budget 2018 to enhance support for health research and for Gairdner Foundation activities;
- \$1.1 million increase in the operating budget carryforward;
- \$0.2 million of new funding announced in Budget 2019 for Paid Parental Leave for Student Researchers;

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- \$0.3 million decrease in funding due to various adjustments and contributions required by Central Agencies; and
- \$0.9 million decrease in operating costs due to a transfer to statutory authorities.

Authorities used during the third quarter for Vote 1 – Operating Expenditures have increased by \$1.4 million (9.9%) as compared to the prior fiscal year. This variance is primarily due to increased salary costs, as well as less significant changes in other expenditure types. There were increased expenditures for transportation and communications, professional and special services, and rentals as a result of the consensus building workshop held as part of the development of CIHR’s new strategic plan, as well as an increase in the number of peer review meetings resulting from increased transfer payment authorities. Other increases to professional and special services include items such as allocated costs from Treasury Board for an upcoming financial system transformation project, an internal compensation review, and office space refurbishments. Other increases to rentals include additional office space rented for the team working on the Tri-Agency Grants Management Solution (TGMS). Lastly, these increases are offset by a decrease in capital asset acquisitions but this is expected to be mainly a timing issue, with more acquisitions anticipated in the fourth quarter.

Actual year to date operating expenditures have increased by \$3.4 million (8.4%) primarily due to increased salary costs, as well as less significant changes in other expenditure types. In addition to those discussed above, a new health research survey was undertaken in the previous quarter with Statistics Canada in support of the development of CIHR’s strategic plan.

The percentage of Operating Expenditures authorities used through the third quarter of 2019-20 (73.9%) is approximately consistent with authorities used as at December 31<sup>st</sup> of the prior fiscal year (69.7%). This is consistent with management expectations given that the most significant type of expenditure in this vote is salary costs, which are distributed equally throughout the fiscal year.

## Vote 5 – Grants

Authorities available for use for Vote 5 – Grants at December 31, 2019 are \$1,119.7 million and include funding for the following transfer payment programs:

- \$984.8 million – Grants for research projects and personnel support
- \$43.8 million – Canada First Research Excellence Fund
- \$25.3 million – Canada Graduate Scholarships
- \$21.7 million – Networks of Centres of Excellence
- \$13.2 million – Institute support grants
- \$9.7 million – Centres of Excellence for Commercialization and Research
- \$8.4 million – Vanier Canada Graduate Scholarships
- \$8.0 million – Canada Excellence Research Chairs
- \$2.7 million – Canada 150 Research Chairs
- \$1.7 million – Business–Led Networks of Centres of Excellence
- \$0.4 million – College and Community Innovation

Vote 5 – Grants authorities available for use increased by approximately \$24.9 million (2.3%) through the third quarter as compared to the prior fiscal year quarter as a result of:

- \$14.1 million increase due to adjustments in the amount of new funding in Budget 2018 to enhance support for health research and for Gairdner Foundation activities;
- \$8.7 million increase to Canada Research Chairs program as a result of an increase in the amount of new funding through Budget 2018 as well as a reprofile of a portion of lapsed funds from 2018-19 to the current fiscal year;

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- \$4.1 million of new funding announced in Budget 2019 for Supporting Graduate Students Through Research Scholarships program;
- \$1.8 million of new funding announced in Budget 2019 for Paid Parental Leave for Student Researchers;
- \$1.0 million decrease in net transfers from other government departments for specific programs and initiatives;
- \$1.0 million decrease in funding to support Canadian Drugs and Substance Strategy; and
- \$1.8 million decrease resulting from CIHR's participation in tri-agency programs in collaboration with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC). Funding for these programs varies by fiscal year as CIHR is allocated funding following each distinct competition depending on the successful applicants' alignment with CIHR's health-related mandate. CIHR received more funds in 2019-20 for Canada Excellence Research Chairs (\$3.8 million) program and less funds for Centres of Excellence for Commercialization and Research (\$3.5 million), Canada 150 Research Chairs (\$2.0 million) and College and Community Innovation Program (\$0.1 million).

Grant authorities used during the third quarter of 2019-20 have decreased by \$28.4 million (-14.4%) compared to the prior fiscal year due to the timing of payments made under the Canada Research Chairs, Canada First Research Excellence Fund, and Canada Excellence Research Chairs programs.

Year to date grant expenditures have increased by \$26.8 million (3.8%) compared to the prior fiscal year due to increased grant payments resulting from the increased authorities available for use.

The percentage of Grants authorities used through the third quarter of 2019-20 (65.0%) is consistent with authorities used as at December 31 of the prior fiscal year (64.0%). This is consistent with management expectations of the planned timing of payments.

## Statutory authorities

Budgetary statutory authorities (representing CIHR's contribution to employee benefit plans) available for use increased marginally year over year by \$0.9 million (14.7%). The increase to CIHR's statutory authorities available is due to:

- \$0.9 million transfer from operating authorities;
- \$0.3 million increase in funding for benefits relating to retroactive salary increases; and
- \$0.3 million decrease in funding of statutory items due to various adjustments and contributions required by Central Agencies.

Actual spending for statutory authorities through the third quarter of 2019-20 is 74.7% of the total available authorities for use for the year, which is consistent with management expectations given that this expenditure is distributed equally throughout the fiscal year.

## ***2.2 Financial highlights – Statement of departmental budgetary expenditures by standard object (refer to Section 6)***

As of December 31, 2019, total authorities available for use by CIHR have increased by \$27.0 million (2.3%) as compared to the prior fiscal year due to increased funding received. Total authorities used as at December 31, 2019 have increased by \$31.1 million (4.2%) as compared to the prior fiscal year. These increases are reflected in Tables 2.2.1 and 2.2.2 (where expenditure types are re-grouped into three categories: Personnel, Other operating expenditures and Transfer payments) for further analysis.

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**Table 2.2.1 – Changes to annual authorities available and cumulative authorities used by expenditure type**

(\$ thousands)

	2019-20			2018-19			Variance	
	Annual authorities available	Cumulative authorities used	% used	Annual authorities available	Cumulative authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	52,391	39,842	76.0%	46,121	36,742	79.7%	13.6%	8.4%
Other operating expenditures	13,626	9,001	66.1%	17,715	7,850	44.3%	(23.1%)	14.7%
Transfer payments	1,119,733	727,270	65.0%	1,094,883	700,456	64.0%	2.3%	3.8%
<b>Total</b>	<b>1,185,750</b>	<b>776,113</b>	<b>65.5%</b>	<b>1,158,719</b>	<b>745,048</b>	<b>64.3%</b>	<b>2.3%</b>	<b>4.2%</b>

**Table 2.2.2 – Changes to annual authorities available and authorities used during the third quarter by expenditure type**

(\$ thousands)

	2019-20			2018-19			Variance	
	Annual authorities available	Q3 authorities used	% used	Annual authorities available	Q3 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	52,391	13,563	25.9%	46,121	12,715	27.6%	13.6%	6.7%
Other operating expenditures	13,626	3,218	23.6%	17,715	2,428	13.7%	(23.1%)	32.5%
Transfer payments	1,119,733	169,282	15.1%	1,094,883	197,686	18.1%	2.3%	(14.4%)
<b>Total</b>	<b>1,185,750</b>	<b>186,063</b>	<b>15.7%</b>	<b>1,158,719</b>	<b>212,829</b>	<b>18.4%</b>	<b>2.3%</b>	<b>(12.6%)</b>

## Personnel and other operating expenditures

Authorities available for Personnel expenditures for the period ended December 31, 2019 have increased by \$6.3 million (13.6%) as compared to the prior year. Authorities available for Other operating expenditures have decreased by \$4.1 million (-23.1%). These variances are due to:

- \$0.1 million increase (Personnel) and \$1.1 increase million (Other) of new funding announced in Budget 2018 in support of fundamental health research;
- \$1.0 million increase (Personnel) and \$0.1 million increase (Other) in the operating budget carryforward;
- \$0.1 million of new funding (Personnel) and another \$0.1 million of new funding (Other) announced in Budget 2019 for Paid Parental Leave for Student Researchers;
- \$0.2 million decrease (Personnel) and \$0.1 million decrease (Other) due to various adjustments and contributions required by Central Agencies; and

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- \$5.3 million increase to Personnel and \$5.3 million decrease to Other as a result of an internal transfer.

Personnel authorities used during the third quarter increased by \$0.8 million (6.7%) and Personnel authorities used year to date increased by \$3.1 million (8.4%) as compared to the prior fiscal year. The percentage of authorities used for Personnel expenditures through the third quarter (76.0%) is reasonable for this type of expenditure as they occur evenly through the year and is comparable to the prior fiscal year (79.7%).

Other operating expenditures used during the third quarter increased by \$0.8 million (32.5%) and Other operating expenditures used year to date increased by \$1.2 million (14.7%) as compared to the prior fiscal year. These increases are due to increased professional and special services, transport and communications, and rentals, offset by a decrease in capital asset acquisitions. The details of these variances are discussed in the previous section.

## Transfer payments

Authorities available for the period ended December 31, 2019 have increased by \$24.9 million (2.3%) over the prior year due primarily to additional health research funding discussed in section 2.1. Authorities used year to date for the quarter ended December 31, 2019 have increased by \$26.8 million (3.8%) as discussed in section 2.1. The percentage of grant authorities used through the third quarter of 2019-20 (65.0%) is consistent with authorities used as at December 31 of the prior fiscal year (64.0%).

## 2.3 Other non-financial highlights

Other non-financial highlights for the third quarter of 2019-20 include:

- On November 22, 2019, the United States' National Institutes of Health welcomed the Canadian Institutes of Health Research to Bethesda, Maryland to discuss how the two countries could strengthen their health research collaborations.

## 3. Risk 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. 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 committed to a disciplined, risk management process in its daily operations. Based on departmental best practices, the Corporate Risk Profile (CRP) is updated bi-annually and provides a proactive response to manage and monitor risks to ensure CIHR's ability to operationalize its activities, achieve outcomes and deliver on its mandate. CIHR continues to mitigate and monitor the risks identified in its 2019-20 CRP. As part of its mid-year review in October/November, management assessed the current status of risks and mitigation actions.

**Risk 1** - Developing the New Strategic Plan - *There is a risk that CIHR's development of a strategic plan to achieve its objectives as defined by the CIHR Act may be hindered by gaps in governance and change management practices.*



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CIHR has made significant progress in developing a new strategic plan for the Agency. Consultations with internal and external stakeholders were held throughout 2019 and a set of draft priorities has been established by CIHR's Governing Council. The project is on track to deliver the new strategic plan for June 2020. Work has commenced on operational planning to determine how the priorities will be implemented. As a result, the likelihood of this risk occurring has been significantly reduced.

**Risk 2 - Effective Digital Solutions - *Failure to deliver and support effective digital and security solutions may result in the inability for the organization to deliver on the objectives as defined by the CIHR Act.***

Progress has been made towards the stabilization of existing systems through infrastructure upgrades and process improvements; however, resourcing pressures due to operational priorities have resulted in the deferral of some activities. As a result, the likelihood and impact of this risk remain the same. Work continues in support of the Tri-Agency Grants Management Solution project to modernize CIHR's program delivery systems.

**Risk 3 - Human Resources Capacity - *There is a risk that, without proactive strategies and a cohesive organizational design to attract and retain key talent, CIHR will not have the human resource capacity required to deliver on its current programs and services and to respond to future priorities.***

An area of focus for Human Resources has been the development of key performance indicators to support Governing Council and senior management's understanding of the health of the organization. This work is progressing and expected to be completed by fiscal year-end. Other mitigation activities have been deferred or modified due to operational pressures and shifting priorities. As a result, the likelihood and impact of this risk remain the same.

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

- Effective October 15, 2019 Dwayne Martins was appointed to the role of Associate Vice President, Corporate Services.
- Effective October 28, 2019 Catherine MacLeod was appointed to the role of Executive Vice President.
- Prime Minister Justin Trudeau announced on November 20, 2019 the appointment of the Honorable Patty Hajdu as the Minister of Health.
- Effective March 2, 2020 Sarah Viehbeck will be appointed to the role of Associate Vice President, Research Programs – Strategy.

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## Approval by Senior Officials

Approved by:

[original signed by]

[original signed by]

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Michael J. Strong, MD, FRCPC, FAAN, FCAHS  
President

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Dalia Morcos Fraser, CPA, CMA  
Chief Financial Officer

Ottawa, Canada  
February 27, 2020

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### 5. Statement of authorities (*unaudited*)

For the quarter ended December 31, 2019

<i>(in thousands of dollars)</i>	Fiscal year 2019-20			Fiscal year 2018-19		
	Total available for use for the year ending March 31, 2020 *	Used during the quarter ended December 31, 2019	Year to date used at quarter end	Total available for use for the year ended March 31, 2019 *	Used during the quarter ended December 31, 2018	Year to date used at quarter end
Vote 1 – Operating expenditures	59,188	15,080	43,739	57,880	13,726	40,342
Vote 5 - Grants	1,119,733	169,282	727,270	1,094,883	197,686	700,456
Budgetary statutory authorities						
Contributions to employee benefit plans	6,829	1,701	5,104	5,956	1,417	4,250
<b>Total budgetary authorities</b>	<b>1,185,750</b>	<b>186,063</b>	<b>776,113</b>	<b>1,158,719</b>	<b>212,289</b>	<b>745,048</b>

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

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### 6. Departmental budgetary expenditures by standard object *(unaudited)*

For the quarter ended December 31, 2019

<i>(In thousands of dollars)</i>	Fiscal year 2019-20			Fiscal year 2018-19		
	Planned expenditures for the year ending March 31, 2020 *	Expended during the quarter ended December 31, 2019	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2019 *	Expended during the quarter ended December 31, 2018	Year to date used at quarter end
<b>Expenditures:</b>						
Personnel	52,391	13,563	39,842	46,121	12,715	36,743
Transportation and communications	4,839	1,343	3,684	6,522	1,072	3,156
Information	-	50	237	343	68	265
Professional and special services	6,139	1,203	3,279	7,814	808	2,509
Rentals	1,475	437	1,387	1,763	183	875
Repair and maintenance	35	47	54	57	2	93
Utilities, materials and supplies	197	26	46	308	31	70
Acquisition of machinery and equipment	941	104	177	908	97	664
Transfer payments	1,119,733	169,282	727,270	1,094,883	197,686	700,456
Other subsidies and payments	-	8	137	-	167	217
<b>Total budgetary expenditures</b>	<b>1,185,750</b>	<b>186,063</b>	<b>776,113</b>	<b>1,158,719</b>	<b>212,829</b>	<b>745,048</b>

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