

FINANCIAL STATEMENTS
For
**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**
For year ended
DECEMBER 31, 2009

AUDITORS' REPORT

To the members of

**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

We have audited the statement of financial position of the Canadian Health Services Research Foundation/Fondation canadienne de la recherche sur les services de santé as at December 31, 2009 and the statements of operations, changes in deferred contributions and cash flows for the year then ended. These financial statements are the responsibility of CHSRF's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CHSRF as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
February 12, 2010.

**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

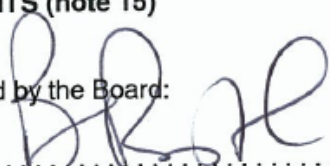
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

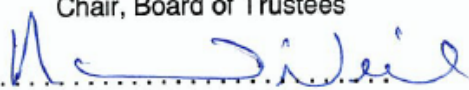
	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,201,494	\$ 2,063,963
Co-sponsor contributions receivable (note 7)	1,014,334	1,060,390
Accounts receivable	644,156	285,285
Prepaid expenses	<u>188,115</u>	<u>171,185</u>
	3,048,099	3,580,823
INVESTMENTS (note 4)	73,210,736	86,248,361
CAPITAL ASSETS (note 5)	376,090	450,531
PENSION ASSET (note 6)	<u>288,250</u>	<u>157,165</u>
	<u>\$ 76,923,175</u>	<u>\$ 90,436,880</u>
<u>LIABILITIES AND DEFERRED CONTRIBUTIONS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 902,610	\$ 630,797
Deferred contributions from co-sponsors (note 7)	1,376,604	1,953,349
Deferred revenue	166,683	137,167
Current portion of obligations under capital lease (note 8)	<u>14,910</u>	<u> </u>
	2,460,807	2,721,313
OBLIGATIONS UNDER CAPITAL LEASE (note 8)	39,978	
DEFERRED LEASE INDUCEMENT	<u>97,850</u>	<u>120,431</u>
	2,598,635	2,841,744
DEFERRED CONTRIBUTIONS (note 9)	<u>74,324,540</u>	<u>87,595,136</u>
	<u>\$ 76,923,175</u>	<u>\$ 90,436,880</u>

COMMITMENTS (note 15)

Approved by the Board:



.....
Dr. Brian D. Postl
Chair, Board of Trustees



.....
Ms. Maureen O'Neil,
President



.....
Mr. Robert Smith,
Chair, Finance and Audit Committee



.....
Ms. Nancy Quattrocchi,
Vice-President, Corporate Services

(See accompanying notes)

**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
REVENUE		
Revenue from co-sponsors	\$ 4,458,103	\$ 3,042,828
Other revenue	290,650	270,822
Amortization of deferred contributions relating to operations of current year	13,189,526	12,602,011
Amortization of deferred contributions relating to capital assets	<u>180,560</u>	<u>206,462</u>
	<u>18,118,839</u>	<u>16,122,123</u>
EXPENSES		
Strategic Priority #1: Engaging and Supporting Citizens	175,979	209,825
Strategic Priority #2: Accelerating Evidence - Informed Change		
Executive Training for Research Application (EXTRA)	2,659,679	2,523,344
Capacity Development	3,685,486	3,649,145
Change Initiatives	2,986,224	2,987,241
Strategic Priority #3: Policy Dialogue	1,288,825	1,257,326
Communications and Public Affairs	850,830	779,327
Strategic Evaluation	609,556	332,184
Administration	884,973	870,537
Applied Scholarship	<u>146,113</u>	<u>163,260</u>
	13,287,665	12,772,189
Amortization of capital assets	180,560	206,462
Investment management fees	<u>192,511</u>	<u>185,170</u>
Total expenses of CHSRF	13,660,736	13,163,821
Co-sponsors' programs expenses	<u>4,458,103</u>	<u>2,958,302</u>
	<u>18,118,839</u>	<u>16,122,123</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

STATEMENT OF CHANGES IN DEFERRED CONTRIBUTIONS

YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 87,595,136	\$ 106,594,132
Amortization of capital assets	(180,560)	(206,462)
Transfer of Open Grants Competition to Canadian Institutes of Health Research	5,803	6,757
Amortization of deferred contributions	(13,189,526)	(12,602,011)
Investment income (loss) (note 10)	(8,340,219)	8,261,020
Net unrealized gain (loss) on investments, arising in the year (note 10)	<u>8,433,906</u>	<u>(14,458,300)</u>
Balance, end of year	<u>\$ 74,324,540</u>	<u>\$ 87,595,136</u>

(See accompanying notes)

**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$	\$
Items not affecting cash:		
Amortization	180,560	206,462
Amortization of deferred contributions relating to capital assets	(180,560)	(206,462)
Amortization of deferred contributions relating to operations of current year	(13,189,526)	(12,602,011)
Amortization of deferred lease inducement	(22,581)	(22,581)
Gain (loss) on disposal of capital assets	<u>-</u>	<u>(123)</u>
	(13,212,107)	(12,624,715)
Change in assets and liabilities:		
Decrease in co-sponsor contributions receivable	46,056	176,279
Decrease (increase) in accounts receivable	(358,871)	121,051
Decrease (increase) in prepaid expenses	(16,930)	14,122
Increase in pension asset	(131,085)	(24,781)
Increase (decrease) in accounts payable and accrued liabilities	271,813	(847,809)
Increase (decrease) in deferred contributions from co-sponsors	(576,745)	512,073
Decrease in deferred revenue	<u>29,516</u>	<u>35,500</u>
Net cash provided by operating activities	<u>(13,948,353)</u>	<u>(12,638,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(43,374)	(35,040)
Draws from investments	13,069,934	11,873,267
Investment related activity	<u>67,181</u>	<u>152,509</u>
Net cash used in investing activities	<u>13,093,741</u>	<u>11,990,736</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligations under capital lease	<u>(7,857)</u>	<u>(28,554)</u>
TOTAL CASH USED	(862,469)	(676,098)
CASH at beginning of year	<u>2,063,963</u>	<u>2,740,061</u>
CASH at end of year	\$ <u>1,201,494</u>	\$ <u>2,063,963</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Capital assets acquired through capital lease	\$ <u>62,745</u>	\$ _____

(See accompanying notes)

**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

The Canadian Health Services Research Foundation ("CHSRF") was established to enhance the quality and effectiveness of health care in Canada through the funding of health services research and the dissemination of knowledge. CHSRF is a registered charity under the Income Tax Act, and accordingly, is exempt from income taxes. CHSRF became operational in fiscal 1997 and is incorporated under the Canada Corporations Act.

Under the Federal Budget, 1996, the Government authorized Health Canada to pay \$55,000,000 to CHSRF over a five year period. As part of the same agreement, the Medical Research Council ("MRC") agreed to pay CHSRF \$10,000,000 and the Social Sciences and Humanities Research Council of Canada ("SSHRC") agreed to pay CHSRF \$1,500,000 over the same five year period. In 1999, the Federal government granted \$35,000,000 to CHSRF for participation in the Canadian Institutes of Health Research and another \$25,000,000 to support a ten year nursing research fund. In 2003, the Government provided a grant of \$25,000,000 to CHSRF to implement the Executive Training for Research Application ("EXTRA") program over a thirteen year period.

During the current year CHSRF entered into a Comprehensive Funding Agreement with Health Canada. This agreement supercedes the previous agreements. Under this agreement CHSRF is directed to hold all investments in fixed income securities within a single investment portfolio. The agreement has enabled CHSRF to report their operations under a single program. CHSRF is transitioning its investments to meet this agreement.

In 2009, CHSRF shifted its focus from funding general health services research to supporting specific activities related to its new strategic priorities. Funding is now being focused in the areas of citizen engagement, accelerating change, and promoting policy dialogue. Partnerships with other organizations, decision-makers and individuals across the country continue to be fundamental; currently, CHSRF has over 70 active partners supporting its mandate. Leveraged dollars from those partnerships remain a primary part of planning and program delivery.

1. CHANGE IN ACCOUNTING POLICY

The Accounting Standards Board issued a new accounting standard, Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations, which establishes standards for disclosure of general support costs allocated to functions of the entity. The standard is effective for reporting periods beginning on or after January 1, 2009. CHSRF applied the new accounting standard at the beginning of its current fiscal year and its implementation did not have an impact on the results of operations or its financial position. The disclosure requirements have been included in the notes to the financial statements.

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**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) *Revenue Recognition*

The organization follows the deferral method of accounting for contributions.

Contributions are recognized as revenue in the year in which the related expenses are incurred.

Contributions applied towards the purchase of capital assets are deferred and amortized to revenue, at a rate corresponding with the amortization rate of the related capital assets.

CHSRF receives contributions from third-party co-sponsors to fund research initiatives. Revenue from co-sponsors is deferred and amortized to revenue as expenses are incurred.

Investment income earned on government contributions is recorded as an addition in the statement of changes in deferred contributions.

b) *Investments*

Investments are recorded at fair market value. During the year, CHSRF changed its investment strategy to hold only fixed income investments. CHSRF anticipates completing the transition to this new strategy by 2014.

The purchase and sale of investments are accounted for using settlement date accounting.

c) *Derivative Financial Instruments*

CHSRF is party to certain derivative financial instruments. These instruments are not recognized in the financial statements on inception. The carrying amounts of derivative financial instruments, comprised of unrealized gains and losses, are included with investments in the statement of financial position. Gains and losses are realized upon the settlement of the derivative financial instrument.

d) *Capital Assets and Amortization*

Purchased capital assets are recorded at cost. Repair and maintenance costs are charged to expense. When a capital asset no longer contributes to CHSRF's ability to provide services, its carrying amount is written-down to its residual value.

Capital assets are amortized on a straight line basis using the following annual rates:

Computer software	3 years
Computer equipment	3 years
Telephone equipment	4 years
Furniture	5 years
Leasehold improvements	lease term

e) *Leases*

Leases are classified as either capital or operating in nature. Capital leases are those which substantially transfer the benefits and risks of ownership to the lessee. Assets acquired under capital leases are amortized at the rates as described in note 2(d). Obligations recorded under capital leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense.

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2. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

f) *Deferred lease inducement*

The value received by CHSRF represented by a rent-free period relating to leased premises is deferred and amortized over the term of the lease.

g) *Employee future benefits*

CHSRF has a defined benefit pension plan for its employees. The benefits are based on years of service and the employee's compensation. The cost of this program is currently being funded by CHSRF and its eligible employees.

The cost of defined benefit pension benefits earned by employees is determined using the projected accrued benefit method prorated on service and is charged to operating expense as services are rendered. This cost is actuarially computed using CHSRF's best estimate assumptions of the pension plan's expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the expected average remaining service life of the employee group. The most recent actuarial valuation of the pension plan for funding purposes was as of June 1, 2008 and the next required valuation will be as of June 1, 2011.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

h) *Allocation of general support costs*

CHSRF incurs general support costs that are common to the administration of CHSRF and each of its functions. General support costs include occupancy costs, personnel, finance, information technology, human resources and legal costs.

CHSRF allocates these general support costs to the various functions on a per capita basis. These usage rates are used to allocate all the general support costs to the applicable function.

i) *Translation of Foreign Currencies*

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historic exchange rates. Revenue and expenses are translated at the exchange rates prevailing on the transaction date.

j) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

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3. FINANCIAL INSTRUMENTS

CHSRF applies CICA Handbook sections 3855 and 3861 which deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements.

CHSRF's financial instruments are outlined below:

(i) Cash and currency forwards:

Cash and currency forwards are classified as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in the Statement of Deferred contributions.

(ii) Co-sponsor contributions receivable and accounts receivable:

Co-sponsor contributions receivable and accounts receivable are classified as loans and receivables. Co-sponsor contributions receivable and accounts receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

(iii) Investments:

CHSRF's investment in derivatives are classified as held for trading financial assets and are measured at fair value as required by Canadian generally accepted accounting principles.

All other investments have been designated as held for trading by CHSRF's management and are measured at fair value. These investments do not meet the definition of held for trading assets since they are not held for the purposes of short term profit taking. However, management has designated these investments as held for trading financial assets because this results in the investments being measured at their fair value, as required by Canadian generally accepted accounting principles, while reducing the complexity associated with measuring and presenting the fair value information in CHSRF's financial statements.

Fair values of investments are determined by reference to published quotations in an active market at year-end. For investments in pooled funds where a quoted market price is not available, the fair value of CHSRF's investment represents CHSRF's proportionate share of the fair value of the underlying net assets of the pooled fund at year-end.

Approximately 7% of CHSRF's investments are valued at the fair value reported by a Fund Manager. These investments are not readily marketable and their estimated value is subject to uncertainty and therefore may differ from the investments' realizable value.

(iv) Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities are classified as other financial liabilities. They are valued at amortized cost, which is generally the initially recognized amount.

Fair value:

The carrying values of cash, accounts receivable, co-sponsor contributions receivable, accounts payable and accrued liabilities approximate fair values because of the relatively short period to maturity of the instrument.

It is not practicable to estimate the fair value of the capital lease obligations given that the organization's current risk adjusted interest rate for these types of instruments is unknown.

The organization's investments are carried at their fair values as disclosed in the notes.

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**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2009

4. INVESTMENTS

	<u>2009</u>		<u>2008</u>	
	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 1,523,260	\$ 1,565,220	\$ 11,766,363	\$ 11,766,363
Equity securities	4,943,543	4,725,240	30,771,378	35,801,984
Fixed income securities	65,261,615	65,195,473	47,376,068	45,733,669
Derivative financial instruments	<u>1,482,318</u>	<u>-</u>	<u>(3,665,448)</u>	<u>-</u>
	<u>\$ 73,210,736</u>	<u>\$ 71,485,933</u>	<u>\$ 86,248,361</u>	<u>\$ 93,302,016</u>

Investments are managed as a pool by investment managers who are under the direction of the Investment Committee reporting to the Board of Trustees. Investments include:

(a) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and debt securities with a variety of interest rates and having original maturity dates of less than 90 days.

(b) Equity securities:

Equity securities consist of funds invested primarily in equity securities. These securities are subject to market value and exchange rate fluctuations.

(c) Fixed income securities:

Fixed income securities consist of Canadian and United States government and commercial bonds or funds investing primarily in fixed income securities with various interest rates and terms to maturity. The fixed income securities have effective interest rates ranging from 2.00% to 10.25% with maturity dates ranging from six months to five years. The value of these securities is subject to interest rate and exchange rate fluctuations.

(d) Derivative financial instruments:

CHSRF has entered into a forward exchange contract as part of a specific investment strategy of CHSRF designed to reduce its exposure to the US-Canadian dollar fluctuations.

The forward contract obliges CHSRF to sell US dollars and purchase Canadian dollars in the future at predetermined exchange rates. The amount of US currency exposure is determined by CHSRF's investment in United States securities. It is the intent of CHSRF to meet any loss on the maturity of the forward contract by selling part of the US dollar investments.

As of the year-end date \$6,289,293 (2008 \$30,771,417) of the organization's investments were denominated in US dollars.

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**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2009

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer software	\$ 383,021	\$ 333,559	\$ 383,021	\$ 266,955
Computer and other equipment	579,226	515,008	707,826	646,150
Furniture	305,788	297,469	305,788	283,910
Equipment under capital lease	62,745	11,765	-	-
Leasehold improvements	<u>477,176</u>	<u>274,065</u>	<u>477,176</u>	<u>226,265</u>
	1,807,956	<u>\$ 1,431,866</u>	1,873,811	<u>\$ 1,423,280</u>
Accumulated amortization	<u>1,431,866</u>		<u>1,423,280</u>	
	<u>\$ 376,090</u>		<u>\$ 450,531</u>	

During the year, capital assets were acquired at an aggregate cost of \$106,119 (2008 - \$81,278). The capital assets acquired include \$62,745 of equipment acquired under a capital lease.

6. PENSION ASSET

The reconciliation of the funded status of the defined benefit pension plan to the amount recorded in the financial statements is as follows:

	<u>2009</u>	<u>2008</u>
Fair value of plan assets	\$ 4,310,799	\$ 3,432,271
Accrued benefit obligation	<u>4,620,655</u>	<u>4,214,989</u>
Funded status - plan deficit	(309,856)	(782,718)
Balance of unamortized actuarial loss	<u>598,106</u>	<u>939,883</u>
Pension asset	<u>\$ 288,250</u>	<u>\$ 157,165</u>

The significant assumptions used in accounting for the accrued benefit obligation and benefit cost of the defined benefit plan at December 31 are as follows:

	<u>2009</u>	<u>2008</u>
Discount rate	5.75%	6.00%
Rate of compensation increase	3.50%	3.50%
Expected long-term rate of return on plan assets	6.75%	7.00%
Rate of inflation	2.50%	2.50%

Employee future benefit costs recognized in the year:

	<u>2009</u>	<u>2008</u>
Net benefit plan expense	<u>\$ 328,723</u>	<u>\$ 296,891</u>

Total cash amounts recognized as paid or payable for employee future benefits, consisting of employer contributions to the defined benefit plan, were \$459,808 (2008 - \$321,672). Employee contributions to the defined benefit plan in the year amounted to \$202,552 (2008 - \$184,526) and benefits paid in the year amounted to \$331,696 (2008 - \$852,281).

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**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2009

7. DEFERRED CONTRIBUTIONS FROM CO-SPONSORS

For certain funding initiatives CHSRF receives contributions from third party co-sponsors. CHSRF recognizes revenue associated with these co-sponsor contributions when the funds are disbursed. The nature and amount of changes associated with restricted co-sponsor contributions are outlined below:

	<u>2009</u>	<u>2008</u>
Net restricted co-sponsor contributions receivable		
(deferred co-sponsor contributions), beginning of period	\$ (892,959)	\$ (204,607)
Contributions received in year	(3,919,414)	(3,719,509)
Amounts recognized as revenue	<u>4,450,103</u>	<u>3,031,157</u>
Net restricted co-sponsor contributions receivable		
(deferred co-sponsor contributions), end of period	<u>\$ (362,270)</u>	<u>\$ (892,959)</u>

Presented in CHSRF's statement of financial position as:

	<u>2009</u>	<u>2008</u>
Co-sponsor contributions receivable		
Canadian Institutes of Health Research	\$ 723,690	\$ 1,026,740
Other	<u>290,644</u>	<u>33,650</u>
	<u>1,014,334</u>	<u>1,060,390</u>
Deferred contributions from co-sponsors		
Canadian Institutes of Health Research	515,393	923,414
Canadian Patient Safety Institute	464,055	318,647
Alberta Heritage Foundation for Medical Research	341,930	341,930
Other	<u>55,226</u>	<u>369,358</u>
	<u>1,376,604</u>	<u>1,953,349</u>
Net restricted co-sponsor contributions receivable		
(deferred co-sponsor contributions), end of period	<u>\$ (362,270)</u>	<u>\$ (892,959)</u>

8. CAPITAL LEASE OBLIGATIONS

Future lease payments under capital lease in existence at December 31, 2009 were as follows:

2010	\$ 16,884
2011	16,884
2012	16,884
2013	<u>8,442</u>
	59,094
Less amount representing deemed interest at 4%	<u>4,206</u>
Balance of obligation	54,888
Current portion	<u>14,910</u>
Long-term portion	<u>\$ 39,978</u>

The lease term is August 2009 to August 2013. The effective annual interest rate is 4%. The capital lease is secured by a photocopier that has an approximate net book value of \$50,980.

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**CANADIAN HEALTH SERVICES RESEARCH FOUNDATION/
FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ**

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2009

9. DEFERRED CONTRIBUTIONS

All of the deferred contributions of CHSRF are subject to externally imposed restrictions in accordance with the related Comprehensive Funding Agreement. Investment income earned on the grants received from the Government of Canada is also restricted. Accordingly, the net assets of CHSRF are deferred and taken into revenue as expenditures are made with no net asset balance outstanding at any time.

10. INVESTMENT INCOME

Investment income earned consists of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 2,323,649	\$ 2,748,307
Gain (loss) on sale of investments	(6,633,802)	3,680,431
Gains (loss) on derivative financial instruments	<u>(4,030,066)</u>	<u>1,832,282</u>
	<u>\$ (8,340,219)</u>	<u>\$ 8,261,020</u>

Net unrealized income (loss) on investments arising in the year consists of the following:

	<u>2009</u>	<u>2008</u>
Unrealized investment income (loss)	\$ 3,286,143	\$ (8,320,551)
Unrealized gains (loss) on derivative financial instruments	<u>5,147,766</u>	<u>(6,137,749)</u>
	<u>\$ 8,433,909</u>	<u>\$ (14,458,300)</u>

11. ALLOCATION OF GENERAL SUPPORT, COSTS

General support costs of \$1,609,500 (2008 - \$1,772,300) have been allocated to specific functions as follows:

	<u>2009</u>	<u>2008</u>
Strategic Priority #1: Engaging and Supporting Citizens	\$ 55,400	\$ 61,000
Strategic Priority #2: Accelerating Evidence - Informed Change		
- Executive Change for Research Application (EXTRA)	268,300	295,400
- Capacity Development	339,200	373,500
- Change Initiatives	483,300	532,200
Strategic Priority #3: Policy Dialogue	341,400	375,900
Strategic Evaluation	42,100	46,400
Communications and Public Affairs	<u>79,800</u>	<u>87,900</u>
	<u>\$ 1,609,500</u>	<u>\$ 1,772,300</u>

12. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted for the current year.

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NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2009

13. RECENT ACCOUNTING PRONOUNCEMENTS

In December, 2008, the CICA decided to defer the requirements for not-for-profit-organizations to adopt Handbook Sections 3862 (Financial Instruments - Disclosures) and 3863 (Financial Instruments - Presentation) and to permit them to continue to apply Section 3861 (Financial Instruments - Disclosure and Presentation) instead. Since new financial instrument standards for not-for-profit organizations may be forthcoming, the organization continues to apply Section 3861 and has not adopted Sections 3862 and 3863 given CICA's current position.

14. CAPITAL DISCLOSURES

CHSRF defines capital as its externally restricted contributions which are classified as deferred contributions in the statement of financial position. CHSRF's objectives with respect to managing capital are to comply with externally imposed restrictions which fund its ongoing operations. CHSRF monitors its capital requirements and objectives through its budgeting process, its financial statement review process and reviews of the terms and conditions contained in its agreement with Health Canada. The external restrictions imposed on these contributions are disclosed in note 9. CHSRF is also subject to external restrictions on its capital with respect to requirements to fund post-retirement benefits in accordance with related regulations. CHSRF monitors its compliance with these requirements by following the funding recommendations provided by the plan's actuary. The Board of Trustees believes that CHSRF has adhered to all externally imposed restrictions.

15. COMMITMENTS

(a) Operating:

CHSRF is committed to payments under operating leases for premises. At the current rate of operating costs the amount of the rent is approximately:

2010	\$ 470,000
2011	470,000
2012	470,000
2013	470,000
2014	<u>78,000</u>
	<u>\$ 1,958,000</u>

In the normal course of business, CHSRF has entered into a lease agreement for the rental of their premises. It is common in such lease transactions for CHSRF as the lessee to agree to indemnify the lessor for liabilities that may arise from the use of the leased premises. The maximum amount potentially payable under the foregoing indemnities cannot be reasonably estimated. CHSRF has liability insurance that relates to the indemnifications described above.

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NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2009

15. **COMMITMENTS** - Cont'd.

(b) Grant funding:

Funding is provided by CHSRF to researchers in the field of health services and nursing. The following are the commitments of CHSRF in regard to these grants as at December 31, 2009:

	EXTRA Regional Mentoring Centers	Nursing Care Partnerships	Regional Training Centers	Chairs	Open Grants Competition	Post- Doctoral Awards	Partnerships for Health System Improvement	LEAD Awards	REISS Awards	Total
2010	\$ 180,000	\$ 450,000	\$ 947,000	\$ 935,930	\$ 104,900	\$ 310,404	\$ 101,669	\$ 368,599	\$ 1,710,784	\$ 5,109,286
2011	180,000	-	735,083	212,607	37,600	71,148	32,668	201,989	839,687	2,310,782
2012	180,000	-	250,875	29,400	-	5,000	-	20,000	295,860	781,135
2013	-	-	137,500	-	-	-	-	-	35,000	172,500
	<u>\$ 540,000</u>	<u>\$ 450,000</u>	<u>\$ 2,070,458</u>	<u>\$ 1,177,937</u>	<u>\$ 142,500</u>	<u>\$ 386,552</u>	<u>\$ 134,337</u>	<u>\$ 590,588</u>	<u>\$ 2,881,331</u>	<u>\$ 8,373,703</u>

Other sponsors have also made commitments for the above-noted programs, however, these commitments have not been included in the figures provided above.