

**FINANCIAL STATEMENTS**

**For**

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

**For year ended**

**DECEMBER 31, 2008**

**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, 2008 and the statements of operations, changes in deferred contributions and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 the Foundation as at December 31, 2008 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 11, 2009.

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,063,963	\$ 2,740,061
Co-sponsor contributions receivable (note 6)	1,060,390	1,236,669
Accounts receivable	285,285	406,336
Prepaid expenses	<u>171,185</u>	<u>185,307</u>
	3,580,823	4,568,373
<b>INVESTMENTS (note 3)</b>	86,248,361	104,464,657
<b>CAPITAL ASSETS (note 4)</b>	450,531	621,833
<b>PENSION ASSET (note 5)</b>	<u>157,165</u>	<u>132,384</u>
	<u>\$ 90,436,880</u>	<u>\$ 109,787,247</u>
<b><u>LIABILITIES AND DEFERRED CONTRIBUTIONS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 630,797	\$ 1,478,606
Deferred contributions from co-sponsors (note 6)	1,953,349	1,441,276
Deferred revenue	137,167	101,667
Current portion of obligations under capital lease	<u>2,721,313</u>	<u>28,554</u>
	2,721,313	3,050,103
<b>DEFERRED LEASE INDUCEMENT</b>	<u>120,431</u>	<u>143,012</u>
	<u>2,841,744</u>	<u>3,193,115</u>
<b>DEFERRED CONTRIBUTIONS (note 7)</b>		
Invested in capital assets	450,532	593,277
Core Fund	67,676,514	81,699,262
Nursing Research Fund	3,101,990	6,449,724
EXTRA Fund	<u>16,366,100</u>	<u>17,851,869</u>
	<u>87,595,136</u>	<u>106,594,132</u>
	<u>\$ 90,436,880</u>	<u>\$ 109,787,247</u>

Commitments (note 12)


Approved by the Board:



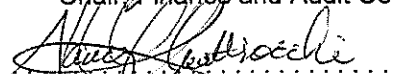
Sister Elizabeth Davis,  
Chair, Board of Trustees



Ms. Maureen O'Neil,  
President



Mr. Robert Smith,  
Chair, Finance and Audit Committee



Ms. Nancy Quattrocchi,  
Vice-President, Corporate Services

(See accompanying notes)

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

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2008**

	<u>Core Fund</u>	<u>Nursing Research Fund</u>	<u>EXTRA Fund</u>	<u>Total 2008</u>	<u>Total 2007</u>
<b>REVENUE</b>					
Revenue from co-sponsors	\$ 1,933,015	\$ 1,109,813	\$ -	\$ 3,042,828	\$ 3,428,853
Other revenue	130,822	-	140,000	270,822	402,933
Amortization of deferred contributions relating to operations of current year	6,590,398	3,011,129	3,000,484	12,602,011	13,853,884
Amortization of deferred contributions relating to capital assets	<u>206,462</u>	<u>-</u>	<u>-</u>	<u>206,462</u>	<u>287,717</u>
	<u>8,860,697</u>	<u>4,120,942</u>	<u>3,140,484</u>	<u>16,122,123</u>	<u>17,973,387</u>
<b>EXPENSES</b>					
Strategic Objective 1.0 - Creating New Knowledge	1,903,156	1,014,089	-	2,917,245	3,218,928
Strategic Objective 2.0 - Capacity Development	1,848,416	1,321,977	-	3,170,393	2,231,641
Strategic Objective 3.0 - Dissemination	1,089,299	10,000	-	1,099,299	2,089,336
Strategic Objective 4.0 - Research Use	549,972	-	2,392,443	2,942,415	3,388,098
Administration	<u>2,642,369</u>	<u>469</u>	<u>-</u>	<u>2,642,838</u>	<u>3,055,468</u>
	8,033,212	2,346,535	2,392,443	12,772,190	13,983,471
Amortization of capital assets	206,462	-	-	206,462	287,717
Investment management fees	105,159	4,803	75,207	185,169	273,346
Share of indirect costs	<u>(1,332,625)</u>	<u>659,791</u>	<u>672,834</u>	<u>-</u>	<u>-</u>
Total expenses of the Foundation	7,012,208	3,011,129	3,140,484	13,163,821	14,544,534
Co-sponsors' programs expenses	<u>1,848,489</u>	<u>1,109,813</u>	<u>-</u>	<u>2,958,302</u>	<u>3,428,853</u>
	<u>8,860,697</u>	<u>4,120,942</u>	<u>3,140,484</u>	<u>16,122,123</u>	<u>17,973,387</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

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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, 2008

	Invested in capital assets	Core Fund	Nursing Research Fund	EXTRA Fund	Total 2008	Total 2007
Balance, beginning of year	593,277	81,699,262	6,449,724	17,851,869	106,594,132	116,084,632
Amortization of capital assets	(206,462)				(206,462)	(287,717)
Purchase of capital assets	35,040	(35,040)				
Gain on disposal of capital assets	123	(123)				
Repayment of obligations under capital lease	28,554	(28,554)				
Transfer of Open Grants Competition to Canadian Institutes of Health Research		6,488	269		6,757	15,627
Amortization of deferred contributions		(6,590,398)	(3,011,129)	(3,000,484)	(12,602,011)	(13,853,884)
Investment income (note 8)		7,005,425	319,988	935,607	8,261,020	7,537,921
Net unrealized loss on investments, arising in the year (note 8)		(14,380,546)	(656,862)	579,108	(14,458,300)	(2,902,447)
Balance, end of year	<u>\$ 450,532</u>	<u>\$ 67,676,514</u>	<u>\$ 3,101,990</u>	<u>\$ 16,366,100</u>	<u>\$ 87,595,136</u>	<u>\$ 106,594,132</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, 2008**

	<u>2008</u>	<u>2007</u>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$	\$
Items not affecting cash:		
Amortization	206,462	287,717
Amortization of deferred contributions relating to capital assets	(206,462)	(287,717)
Amortization of deferred contributions relating to operations of current year	(12,602,011)	(13,853,883)
Amortization of deferred lease inducement	(22,581)	(22,580)
Gain (loss) on disposal of capital assets	(123)	1,727
	<u>(12,624,715)</u>	<u>(13,874,736)</u>
Change in assets and liabilities:		
Co-sponsor contributions receivable	176,279	136,707
Increase in accounts receivable	121,051	73,409
Increase in prepaid expenses	14,122	57,679
Pension asset	(24,781)	6,898
Decrease in accounts payable and accrued liabilities	(847,809)	(1,102,858)
Deferred contributions from co-sponsors	512,073	322,689
Deferred revenue	35,500	(9,466)
Net cash provided by operating activities	<u>(12,638,280)</u>	<u>(14,389,678)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(35,040)	(81,278)
Repayment of obligations under capital lease	(28,554)	(35,960)
Draws from investments	11,873,267	15,086,819
Investment related activity	152,509	229,810
Net cash used in investing activities	<u>11,962,182</u>	<u>15,199,391</u>
<b>INCREASE (DECREASE) IN CASH</b>	(676,098)	809,713
<b>CASH at beginning of year</b>	<u>2,740,061</u>	<u>1,930,348</u>
<b>CASH at end of year</b>	<u>\$ 2,063,963</u>	<u>\$ 2,740,061</u>

(See accompanying notes)

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

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

The Canadian Health Services Research Foundation (the "Foundation") 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. The Foundation is a registered charity under the Income Tax Act, and accordingly, is exempt from income taxes. The Foundation 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 the Foundation over a five year period. As part of the same agreement, the Medical Research Council ("MRC") agreed to pay the Foundation \$10,000,000 and the Social Sciences and Humanities Research Council of Canada ("SSHRC") agreed to pay the Foundation \$1,500,000 over the same five year period. In 1999, the Federal government granted \$35,000,000 to the Foundation 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 the Foundation to implement the Executive Training for Research Application ("EXTRA") program over a thirteen year period.

It is the Foundation's objective to use this funding to leverage contributions for research from external parties, especially decision makers in the health system. For this purpose, a number of third party co-sponsors are recruited and have agreed to contribute funds toward the research performed by applicants identified by the Foundation. These co-sponsor contributions are generally restricted to either researchers from or working on issues in a particular province or research in a particular theme. In 1999, the Foundation agreed to administer these funds for its third party co-sponsors if they so wished.

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Fund accounting**

The accounts of the Foundation are maintained in accordance with the principles of fund accounting, applying the deferral method of accounting for not-for-profit organizations. Resources received and expended are classified for accounting and reporting purposes into funds according to objectives specified by donors.

**(i) Core Fund**

The Core Fund reports revenue and expenses relating to research, program delivery and administrative activities.

**(ii) Nursing Research Fund**

The Nursing Research Fund reports revenue and expenses directly relating to nursing research or research undertaken by nurses. Indirect costs, comprised of administrative expenses and amortization of capital assets, are allocated to the Nursing Research Fund based on the percentage of normalized costs directly attributable to the Fund.

**(iii) Executive Training for Research Application Fund**

The Executive Training for Research Application ("EXTRA") Fund reports revenue and expenses directly relating to the EXTRA program. Indirect costs, comprised of administrative expenses and amortization of capital assets, are allocated to the EXTRA Fund based on the percentage of normalized costs directly attributable to the Fund.

**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, 2008**

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

b) *Revenue Recognition*

The organization follows the deferral method of accounting for contributions.

Contributions are recognized as revenue of the appropriate fund 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.

The Foundation 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 the Nursing Research Fund and EXTRA Fund that must be spent on research activities is recorded as an addition to the respective funds in the statement of changes in deferred contributions. Other investment income is recorded as an addition to the Core Fund.

c) *Investments*

Investments, are recorded at fair market value as noted above. The Foundation has an investment strategy for the Core Fund and the Nursing Research Fund which recommends a target investment asset mix of 35% fixed income investments, 35% equity investments and 30% marketable absolute return investments. The investment strategy for the EXTRA Fund is 100% fixed income investments.

In 2007, Government of Canada Minister of Finance developed an investment management framework for organizations that received up-front funding from the Government. The Foundation has reviewed the new framework and has elected to implement a transition plan to bring its current investment asset mix in line with the guidance outlined in the framework. The plan will be completed within a five-year period.

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

d) *Derivative Financial Instruments*

The Foundation 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.

e) *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 the Foundation'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

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FONDATION CANADIENNE DE LA RECHERCHE SUR LES SERVICES DE SANTÉ

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2008

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

f) *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 1(e). 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.

g) *Deferred lease inducement*

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

h) *Employee future benefits*

The Foundation 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 the Foundation 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 the Foundation'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.

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.

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2008

2. FINANCIAL INSTRUMENTS

The Foundation 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.

The Foundation'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 are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

(iii) Investments:

The Foundation'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 the Foundation'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 the Foundation'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 the Foundation's investment represents the Foundation's proportionate share of the fair value of the underlying net assets of the pooled fund at year-end.

(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 and obligations under capital leases approximate fair values because of the relatively short period to maturity of the instrument.

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

**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, 2008**

**3. INVESTMENTS**

	<u>2008</u>		<u>2007</u>	
	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 11,766,363	\$ 11,766,363	\$ 753,977	\$ 753,977
Equity securities	30,771,378	35,801,984	54,257,568	50,026,840
Fixed income securities	47,376,068	45,733,669	46,980,811	46,311,671
Derivative financial instruments	<u>(3,665,448)</u>	<u>-</u>	<u>2,472,301</u>	<u>-</u>
	<u>\$ 86,248,361</u>	<u>\$ 93,302,016</u>	<u>\$ 104,464,657</u>	<u>\$ 97,092,488</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 common and preferred shares of publicly traded corporations or funds investing 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 2.75% to 9.75% with maturity dates ranging from six months to thirty years. The value of these securities is subject to interest rate and exchange rate fluctuations.

(d) Derivative financial instruments:

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

The forward contract obliges the Foundation to sell US dollars and purchase Canadian dollars in the future at predetermined exchange rates. The amount of US currency exposure is determined by the Foundation's investment in United States securities. The Foundation's policy is to enter into forward exchange contracts for 45% to 55% of the US dollar exposure. It is the intent of the Foundation to meet any loss on the maturity of the forward contract by selling part of the US dollar investments.

**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, 2008**

**4. CAPITAL ASSETS**

Capital assets consist of the following:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer software	\$ 383,021	\$ 266,955	\$ 380,859	\$ 198,011
Computer and other equipment	707,826	646,150	685,056	579,334
Furniture	305,788	283,910	296,317	261,766
Leasehold improvements	<u>477,176</u>	<u>226,265</u>	<u>477,176</u>	<u>178,464</u>
	1,873,811	<u>\$ 1,423,280</u>	1,839,408	<u>\$ 1,217,575</u>
Accumulated amortization	<u>1,423,280</u>		<u>1,217,575</u>	
	<u>\$ 450,531</u>		<u>\$ 621,833</u>	

During the year, capital assets were acquired at an aggregate cost of \$35,040 (2007 - \$81,278).

**5. 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>2008</u>	<u>2007</u>
Fair value of plan assets	\$ 3,432,271	\$ 4,365,391
Accrued benefit obligation	<u>4,214,989</u>	<u>4,910,679</u>
Funded status - plan deficit	(782,718)	(545,288)
Balance of unamortized actuarial loss	<u>939,883</u>	<u>677,672</u>
Pension asset	<u>\$ 157,165</u>	<u>\$ 132,384</u>

**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, 2008**

**5. PENSION ASSET - Cont'd.**

The significant assumptions used in accounting for the defined benefit plan at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
Accrued benefit obligation as of December 31:		
Discount rate	6.00%	5.18%
Rate of compensation increase	3.50%	3.50%
Benefit costs for years ended December 31:		
Discount rate	6.00%	5.18%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	3.50%	3.50%
Employee future benefit costs recognized in the year:		
	<u>2008</u>	<u>2007</u>
Net benefit plan expense	\$ 296,891	\$ 352,543

Total cash amounts recognized as paid or payable for employee future benefits, consisting of employer contributions to the defined benefit plan, were \$321,672 (2007 - \$345,645). Employee contributions to the defined benefit plan in the year amounted to \$184,526 (2007 - \$375,360) and benefits paid in the year amounted to \$852,281 (2007 - \$1,207,169).

**6. DEFERRED CONTRIBUTIONS FROM CO-SPONSORS**

For certain funding initiatives the Foundation receives contributions from third party co-sponsors. The foundation 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>2008</u>	<u>2007</u>
Net restricted co-sponsor contributions receivable		
(deferred co-sponsor contributions), beginning of period	\$ (204,607)	\$ 254,789
Contributions received in year	(3,719,509)	(3,514,916)
Amounts recognized as revenue	<u>3,031,157</u>	<u>3,055,520</u>
Net restricted co-sponsor contributions receivable		
(deferred co-sponsor contributions), end of period	<u>\$ (892,959)</u>	<u>\$ (204,607)</u>

Presented in the Foundation's statement of financial position as:

	<u>2008</u>	<u>2007</u>
Co-sponsor contributions receivable		
Canadian Institutes of Health Research	\$ 1,026,740	\$ 1,236,669
Other	<u>33,650</u>	<u>                    </u>
	<u>1,060,390</u>	<u>1,236,669</u>
Deferred contributions from co-sponsors		
Canadian Institutes of Health Research	923,414	544,841
Ontario Ministry of Health and Long Term Care	188,387	190,390
Other	<u>841,548</u>	<u>706,045</u>
	<u>1,953,349</u>	<u>1,441,276</u>
Net restricted co-sponsor contributions receivable		
(deferred co-sponsor contributions), end of period	<u>\$ (892,959)</u>	<u>\$ (204,607)</u>

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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, 2008**

**7. DEFERRED CONTRIBUTIONS**

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

**8. INVESTMENT INCOME**

Investment income earned consists of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 2,748,307	\$ 3,037,907
Gain on sale of investments	3,680,431	5,145,495
Gains on derivative financial instruments	1,832,282	312,728
Currency exchange surplus (loss)	<u>-</u>	<u>(958,209)</u>
	<u>\$ 8,261,020</u>	<u>\$ 7,537,921</u>

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

	<u>2008</u>	<u>2007</u>
Unrealized investment income (loss)	\$ (8,320,551)	\$ (5,374,748)
Unrealized gains (loss) on derivative financial instruments	<u>(6,137,749)</u>	<u>2,472,301</u>
	<u>\$ (14,458,300)</u>	<u>\$ (2,902,447)</u>

**9. COMPARATIVE FIGURES**

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

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, 2008

10. 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 will be drafted later in 2009, the organization continues to apply Section 3861 and has not adopted Sections 3862 and 3863 given CICA's current position.

In September 2008, the CICA issued Handbook Section 4470 (Disclosure of Allocated Expenses by Not-for-Profit Organizations). This standard is effective for fiscal years beginning on or after January 1, 2009 and will apply to the organization's 2009 year end. This new section provides guidance on the disclosure requirement with respect to allocating fundraising and administrative costs. The organization is currently evaluating the impact this new standard will have on its financial statement disclosure.

11. CAPITAL DISCLOSURES

The Foundation defines capital as its unrestricted net assets and its externally restricted contributions which are classified as deferred contributions in the statement of financial position. The Foundation's objectives with respect to managing capital are to comply with externally imposed restrictions and hold sufficient unrestricted net assets to fund ongoing operations. The Foundation 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 funding agreements. The external restrictions imposed on these contributions are disclosed in notes 1 and 7. The Foundation is also subject to external restrictions on its capital with respect to requirements to fund post-retirement benefits in accordance with related regulations. The Foundation monitors its compliance with these requirements by following the funding recommendations provided by the plan's actuary. The Board of Trustees believes that the Foundation has adhered to all externally imposed restrictions.

12. COMMITMENTS

(a) Operating:

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

2009	\$ 411,000
2010	411,000
2011	411,000
2012	411,000
2013 and thereafter	<u>468,000</u>
	<u>\$ 2,112,000</u>

In the normal course of business, the Foundation has entered into a lease agreement for the rental of their premises. It is common in such lease transactions for the Foundation 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. The Foundation has liability insurance that relates to the indemnifications described above.

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NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2008

12. COMMITMENTS - Cont'd.

(b) Grant funding:

Funding is provided by the Foundation to researchers in the field of health services and nursing. The following are the commitments of the Foundation in regard to these grants as at December 31, 2008:

	Award Letters	EXTRA Regional Mentoring Centers	Knowledge Brokers	Nursing Care Partnerships	Regional Training Centers	Chairs	Open Grants Competition	Post-Doctoral Awards	Partnerships for Health System Improvement	LEAD Awards	REISS Awards	Total
2009	\$ 92,152	\$ 180,000	\$ 10,000	\$ 535,000	\$ 760,500	\$ 1,573,933	\$ 16,950	\$ 593,833	\$ 174,919	\$ 104,167	\$ 2,054,270	\$ 6,095,724
2010	-	180,000	-	-	754,500	838,998	-	476,562	66,334	458,334	1,493,399	4,268,127
2011	-	180,000	-	-	542,583	246,307	-	160,424	33,001	854,167	1,166,946	3,183,428
2012	-	180,000	-	-	58,375	92,500	-	-	-	1,000,000	594,593	1,925,468
2013	-	-	-	-	-	-	-	-	-	791,666	145,833	937,499
	<u>\$ 92,152</u>	<u>\$ 720,000</u>	<u>\$ 10,000</u>	<u>\$ 535,000</u>	<u>\$ 2,115,958</u>	<u>\$ 2,751,738</u>	<u>\$ 16,950</u>	<u>\$ 1,230,819</u>	<u>\$ 274,254</u>	<u>\$ 3,208,334</u>	<u>\$ 5,455,041</u>	<u>\$ 16,410,246</u>

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